Fishing for carp through holes cut in the ice covering Moscow's Moskva river. With little money and no work, ordinary Russians are resorting to ice-fishing to supplement their meagre diets as economic crisis in Russia deepens. *Andy Johnstone/ Impact Photos 1998*

Chapter

4 Bitter winters compound Russian crisis

Russia now sits on the brink of disaster, or is dangerously close to it, or not very close at all – depending on whom you speak to. The situation was dire enough for the Russian government to negotiate US$ 1 5 billion worth of food aid with the US and European Union (EU) last autumn. But only at the insistence of subsidized Western farmers nervous at the prospect of losing Russia s massive but foundering market for food imports.

Returning from a nine-day trip to Russia late last year, US Senate Agricultural Committee chairman Richard Luger told reporters: "This is not a country where a lot of people are going to starve this winter" even as he was negotiating US food aid to the country Moscow's official line is that, despite difficulties, the situation is under control. "Rumours about looming hunger in Russia are obviously an exaggeration," Minister for Agriculture and Food Viktor Semyonov was quoted as saying in November 1998, at the height of humanitarian

concern for Russia s condition. He suggested such talk only benefits food importers, allowing them to boost prices

Others beg to differ. They claim falling incomes in Russia, rising unemployment, a collapsing financial system, and chronic shortages of food and medicines require an immediate and broad-based humanitarian response

Russia's tragedy came to a head on Black Monday, 17 August 1998, when Moscow announced radical measures – a rouble devaluation and a partial debt default – to impede an encroaching financial crisis engulfing emerging markets worldwide. The move triggered a new wave of inflation and brought to a dead halt foreign inflows of funds which had hitherto been financing state spending. The last worthy vestiges of economic reform – currency stability and steady prices – vanished overnight. The rouble's plummet drastically cut the country's ability to pay for imported food, which accounts for one-third of Russian consumption, threatening the country with severe food shortages. With the 1998 grain harvest the worst in 40 years, it would be the second time this decade that Russia has been unable to feed itself. Since the August crisis, the country has also failed to keep up with the spiralling cost of importing medicine. All indications show malnutrition, poverty and disease are spreading.

Less than a dollar a day

The statistics are certainly daunting. Since Black Monday, annual inflation has surged to 70 per cent, personal average incomes have fallen 23 per cent, and national output has shrunk 10 per cent The Institute for Economic Problems of Transition estimates 20 per cent of Russians able to work currently have no job.

Official data show the number of Russians living below a meagre poverty line of US$ 32 per month soared to over 44 million in 1998 – nearly a third of the population, and 25 per cent more than the year before. By other estimates, the figure is much higher. According to data from the Russian Centre of the Standard of Living, 79 million Russians now live in poverty, out of a total population of 150 million. More horrifying, 40 per cent of Russia's children are poverty-stricken and at least one million of these are homeless.

Of course, economic statistics are of little relevance to those millions for whom bartering has already become a way of life In a cash-starved economy, the value of the rouble holds little sway. Most families, except those in the far north, have access to a small plot of land which is extensively cultivated. But despite their aptitude for survival, subsistence for Russians has become a double-edged sword. Rising medical costs coupled with mounting despair have produced a significant worsening in basic health – Russia's so-called 'mortality crisis'.

Russian males can now expect to live no longer than 58 years. Out of 1,000 births, 16 end in death during infancy, compared to only 11 or 12 in most western European countries. According to the United Nations' (UN) Children's Fund (UNICEF), seven times the number of children aged between 1 and 19 die every year in Russia compared to the figure for the UK. Half of all infant deaths are caused by accident, injuries poisoning and violence The other half die from malnourishment and poor living conditions. Most of these deaths are preventable. In a survey released last autumn, the World Health Organization (WHO) blamed the country's shrinking life expectancy on poverty, unemployment, homelessness, excessive drinking and smoking.

More disturbing, according to the WHO, communicable diseases such as AIDS and tuberculosis are spreading at an alarming pace, and have become even bigger killers than alcohol. International health officials say Russia is in the throes of an antibiotic-resistant tuberculosis epidemic, ominously close to spreading throughout Europe (see box 4.1).

Amplified vulnerability to natural hazards such as harsh winters, floods and earthquakes adds more urgency to the problem. When living so close to destitution, few households and communities can marshal enough resources to buffer themselves from additional shocks.

Russia's Emergencies Minister Sergei Shoigu warned in December that the country should brace itself for a series of disasters in 1999 if the economy does not improve.

The country's forbidding winters pose particular problems. With federal government subsidies slashed, some regions could not afford to ship in vital fuel and food supplies last year before temperatures plunged and seas froze, cutting large areas off for the winter. There is even talk of a massive evacuation programme to remove at least a million people from isolated northern outposts where no food supplies are being received. Grim tales abound: children living off livestock feed for lack of mothers' milk; people holed up in forest dugouts for want of proper housing.

Seemingly, Russia has broken the chains of communism only to be riddled by poverty, gaping income inequalities and misery – forcing millions to face the country's bitter winters without adequate heating, clothing or food. As a result, some argue, many of Russia's poorest will be unable to get by without immediate mass humanitarian assistance.

Box 4.1 Soaring TB levels pose an international threat

Tuberculosis (TB) is soaring to epidemic levels in the ex-Soviet Union, killing one person every 25 minutes, and poverty is a major driving force. In Russia alone, there are 111,000 new cases annually, with an estimated 25,000 deaths per year – double the rate recorded in 1991. TB is the leading cause of death in HIV-positive patients. The combination of poor TB-control measures (leading to increased drug resistance), coupled with a rise in HIV/AIDS will be disastrous. All the ingredients are present for a major public health crisis in the cities and towns of this region. And it will not be long before drug-resistant TB is an international threat.

The disease is spread by droplets from coughing up infected sputum. Many who are infected do not develop active disease, but this depends on immune status, which is weakened by poor nutrition, excessive alcohol intake, certain drugs and more recently HIV/AIDS. If treated properly, TB can be cured with a full course of drugs. Treatment failures occur when patients are not given the right medicine or fail to take the drugs properly. But the approach to TB care in the former Soviet Union has deteriorated markedly during the economic decline of the 1990s.

Poor TB-control measures by health authorities and haphazard treatment schedules have driven up levels of multi-drug resistance to 20 per cent in some parts of Russia (even higher in prisons) – among the worst statistics worldwide. Drug-resistant TB is difficult and expensive to treat even in the most modern hospitals with all the best drugs. It can be impossible to treat. Overcrowded and unhygienic prisons provide an ideal breeding ground for the bacteria. TB infects up to one in 25 Russian prisoners (compared to a European average of less than one in 10,000) – threatening the general population. But while TB targets the poorest – the homeless, alcoholics, prisoners and the malnourished – as levels increase, all of society becomes threatened.

The presence of HIV can increase the risk of patients contracting tuberculosis by an estimated 30 times. And the rapid spread of sexually-transmitted diseases, especially syphilis and gonorrhoea, in turn increases the sexual transmission of the HIV virus.

In Ukraine, syphilis soared from 6.5 per 100,000 in 1990 to 150 per 100,000 in 1997 (and to 748 per 100 000 women of reproductive age). Many cases are not reported to the authorities. HIV is increasing in cities, especially amongst intravenous drug abusers. Evidence suggests the HIV infection is moving into the general population, usually via prostitution. There are 36,000 HIV-positive Ukrainians and new cases are being identified at a rate of 1,200 per month. Conservative estimates put the figure at over 200,000 within a decade. Russian HIV cases officially number 10,283 – 90 per cent of them infected through drug abuse. But some sources warn the actual figure could be ten times higher as Russia still lacks comprehensive diagnostic and treatment programmes. Although the governments of Russia, Ukraine, Moldova and Belarus are being given guidance by WHO, among others, the situation will worsen over the next few years. The TB/HIV problem is recognized as important but only as one of many 'priorities'. Education of the population is vital, to reduce transmission (particularly of HIV) and to improve the early diagnosis and treatment of those with TB.

The Russian Red Cross Society's (RRCS) visiting-nurse service (2,087 nurses in 1997) is being strengthened to help contain the TB and HIV epidemics, through education and assisting in the supervision of mobile TB drug therapy, either in the home or at a local Red Cross centre. RRCS youth projects are being mobilized to spread peer-group messages of healthy lifestyle, safe sex and the dangers of drug abuse. But more must be done to support government initiatives to improve TB policy and case management.

Whether or not Russia truly needs such a humanitarian response, the differences of opinion highlight the problems of identifying the social impacts of financial crises and economic transition, categorizing these impacts into relief-friendly terms, and constructing an appropriate response effort. In Russia, the problems are compounded by the country's transition from a command-based economy and a centralized state towards a more democratic, market-oriented economy. "It is an unprecedented situation", says Michael Schulz, Russia desk officer for the International Federation of Red Cross and Red Crescent Societies: "No one really knows how to go about offering aid or relief under these conditions."

Institutional collapse and economic crisis

There is more to Russia's crisis than pure economics. Sergei Karazanov, chairman of the Council on Russian Foreign and Defence Policy, speaking in February 1999, put it this way: "The power of the Russian state is collapsing, and quickly.. the country is dissolving. The main cause of the Russian crisis is political – there is no point looking for an economic solution yet."

Political upheaval, economic uncertainty and Russia's chronic incapacity to foster development are what have led the country near to social and economic ruin. Financial crisis and a failing distribution network have only exposed the country's inherent institutional weaknesses. Now in its eighth year, transition from communism has eaten up well over half the living standard for average Russians. Sharply rising income inequalities suggest the situation is much worse for the poor.

In fact, the country's crisis is a constantly deteriorating situation in which the notoriously stoic Russians suffer in silence. Their desolation fails to be a disaster at all, in the traditional sense. It is a crisis of society and governance. But does it need a concerted, immediate response effort from the international relief community?

Yes, according to the UN's Manuel Aranda da Silva. Such crises represent a new and increasingly widespread type of emergency. "There is a tendency for these crises to develop very quickly, catching donors unaware. As the world faces a generalized economic recession, the potential for these economically fragile countries to require major humanitarian intervention is increasing," da Silva told an inter-agency meeting on the Russian Federation.

Financial and economic crisis is not restricted to Russia. Last year's turmoil on global markets forced many emerging economies from boom to bust in a matter of months. Faltering markets have plunged household incomes in Thailand and Indonesia into decline as people get laid off, wages fall and prices rise. Depressed government finances have driven down public spending on essential services like health care, education and social assistance. Due to financial crisis in emerging economies, according to the World Bank, "hunger and malnutrition are becoming more prevalent, infectious diseases are surging, and children are dropping out of school. Inefficiencies in the public health and education systems which existed prior to the crisis are now being exposed, as demand for low-cost social services increases."

The responses required to deal with this type of crisis, and the roles humanitarian agencies should play, still remain unclear. But as globalization inexorably proceeds and nation states fall foul of the ebb and flow of international capital, such crises will multiply. And as the international community debates how best to reduce the vulnerability of the poorest in society to economic adjustment and the whims of global markets, humanitarian agencies will need to redefine their role in the process.

What disaster?

There is a stark contrast between Russia's crisis and, for example, Hurricane Mitch ripping through Central America last October. Mitch, one of the world's worst natural disasters for two centuries, left nearly 10,000 dead and eight times as many homeless, while crippling the economies of Honduras and Nicaragua. But the humanitarian mission was quite

obvious, compared to Russia's institutional and economic crisis When did disaster strike Russia? Where did it hit? Who is being affected and to what extent? What damage is being inflicted and how much cash food and medicine does Russia need to weather the storm? The answers to these questions are less apparent.

Yuri receiving treatment for frostbite at a clinic for homeless people. An estimated 100,000 Muscovites sleep rough in temperatures averaging minus 20 degrees Celsius. Most have migrated to the city to find work. Others, released from prison, have nowhere to live and no relatives to help them. *Andy Johnstone/ Impact Photos 1998.*

Russia's dire situation sparked an immediate response from the global emergency relief community. Last winter, the International Federation launched, for the second consecutive year, a relief appeal to supply medicines, clothes and food to over a million and a half people in the Russian Federation, Ukraine, Moldova and Belarus. The British non-governmental organization (NGO) Medical Emergency Relief International (MERLIN) launched, with partner agencies, an appeal for US$ 100 million to help control tuberculosis in Russia. Dozens of smaller charities worldwide have sent food, medicines and even portable hospitals to help those in distress The European Community Humanitarian Office (ECHO) has added to the mix by organizing emergency deliveries of basic goods to the country

All laudable efforts, yet a drop in the ocean of the crisis at hand. Russia received just over US$ 30 million in humanitarian aid in the first nine months of 1998 (about 0.1 per cent of imports during that period). Meanwhile, agency efforts to raise funds for relief operations since the country s financial crisis last August have fallen short of target. The International Federation, for example, had managed, by mid-winter, to raise only half of its 25 million Swiss franc winter appeal.

More ambitious, and controversial, have been the US and EU food aid deals. By February 1999, the US was planning deliveries worth some US$ 950 million while the EU's aid package totalled 470 million Euros. But despite its magnitude, the aid is hardly humanitarian and will not help those truly in need Under the terms of the arrangement, the food aid will be sold in Russia at market prices – no use to the poor who could barely afford it in the first place, while threatening those farmers trying to sell their own wheat on domestic markets.

Moscow has said any revenues from food aid would be used for "social purposes". But the danger is profits may be absorbed by shady grain traders and never benefit those who need it most. "When food aid was last received in 1992," said Australia's main meat export authority, Meat and Livestock Australia, in a report published in December, "it quickly found its way onto the open market, undermining the commercial trade at the time and making big profits for some."

Appeal-wary donors are often reluctant to fund humanitarian relief efforts driven by economic crisis because they are rarely well defined in disaster/emergency terms. The link between currency devaluation and human suffering is not as clear as when natural disaster strikes. Post-Mitch, Honduras and Nicaragua garnered pledges of support worth US$ 6.5 billion in loans and debt relief from international donors. Russia, with millions more citizens at risk, has been able to marshal only a quarter of that amount – nowhere near the US$ 10 billion figure of humanitarian aid that Yuri Maslyukov, first deputy prime minister, claims the country needs to weather the crisis

Emergency aid depends on dramatic events to jolt donors into financing humanitarian response efforts. But by the time donors become aware of a chronic crisis like Russia's, it may be too late. Even when it comes, emergency aid can have non-humanitarian

consequences, like undermining local producers, subverting the legitimacy of the state and generating a dependency culture. The global humanitarian rush to feed Russia in the earliest stages of transition may have boosted reform efforts at the time (reformers translated the country's inability to feed itself into support for change). Today, the opposite is true. Appeals for food aid embarrass Russians and contribute to the current backlash against reforms

Another deterrent for donors is that the human cost of financial crisis stems from political decisions, often poor ones. Russia's decision to undergo transition, for example, was a political one, undertaken by a more or less democratic society. Boris Yeltsin, who has presided over the country's reform efforts since their inception, was re-elected president in 1996 by majority vote. Rising income inequality, a major determinant of poverty, was a consequence of such political decisions, while rising poverty is seen as one of many costs associated with the desired changes.

And the social effects of financial crisis take months, sometimes years, to materialize, particularly for the poor. Faced with food price hikes, a household may first cope by borrowing money, slowly depleting limited food reserves, selling assets or skipping meals. These coping mechanisms are not only limited but impoverish vulnerable households even further, turning acute financial collapse into chronic – but unpublicized – social crisis.

The right mix

Clearly, humanitarian donors and agencies must carefully target their assistance. But they may be too quick to assume food aid is the best response to a crisis such as Russia's. Despite one of the worst grain harvests since World War II and offers of wheat and grain from around the world, Russia has actually been boosting its grain exports as farmers see far more lucrative returns from global markets than domestic sales. In other words, Russia does not lack food – just the money to buy it and the network to distribute it.

According to Diane Spearman of the World Food Programme (WFP), decisions on how to respond should be based on the nature of the crisis at hand. An important distinction, she says, is to identify where the crisis is 'demand-based' (not enough money to buy basic goods) and where it is 'supply-based' (shortage of goods because of collapsed market mechanisms and distribution channels). Demand-based problems are best dealt with by demand-based solutions like transferring income to the poor (to stimulate the local economy) and maintaining social safety-nets for the most vulnerable. Supply-based crises, however, dictate supply-based solutions such as immediate provisions of food, medicines and fuel – aid which could carry a price according to end-users' ability to pay.

Both types of crisis afflict Russia, but in different places. In February 1999, the International Federation launched an appeal for a classic case of supply-based crisis in Russia's frozen far north-east. "Hospital warehouses are empty – not even an aspirin tablet", said Red Cross logistics officer Vladimir Melnik, after an assessment mission to Chukotka. "In the most isolated regions you find only vinegar and salt on the shelves," he said, adding: "Food prices are three times higher than in Moscow, but there's really nothing to buy."

Russia has a weak distribution system for both food and medicines which has staggered under a cash-flow crisis caused by the collapsed banking sector. Since the financial crisis hit, Russia's food importers and grain traders have had no access to bank credit. And saddled with significant changes to logistics, transportation and financial procedures, they are avoiding import contracts for large volumes of food. Sellers, meanwhile, are insisting on full pre-payment. The rouble's devaluation has driven domestic prices far lower than international levels, pushing exports up to record volumes, despite shortages at home. Moreover, many of Russia's food-rich regions have been keeping food from poorer areas. Cash-strapped Moscow has been unable to intervene for lack of money and power. Under such conditions, well-functioning social safety-nets are not enough. Supply-based constraints produce shortages of basic necessities and therefore demand an immediate response – the traditional territory of emergency relief.

Long-term solutions needed

There is no doubt that many Russians are in genuine need of immediate assistance. Many – the aged, sick and disabled – cannot cultivate land. Others have no private garden or have too many mouths to feed. Some live outside formal or family support networks. Other vulnerable groups include the homeless, those without the means to grow their own food (e.g., in the far north), single breadwinner households with many children and, increasingly, those in institutions like the army, prisons and hospitals, cut off from government funding.

The scope of the problem may be just too large for Russians' needs to be addressed completely through immediate assistance, as the International Federation's winter appeal acknowledges: "Long-term solutions can only be provided by economic and political policies."

Emergency humanitarian aid copes best when disasters are localized, limited in scope and of short duration. But financial and economic crisis, by its very nature, spreads nationwide (or further) and affects tens of millions of households over many years. To implement a comprehensive relief effort to meet the needs of even the most vulnerable in Russia would be virtually impossible, both logistically and financially.

But while relief agencies clearly need to address Russia's dire supply-side difficulties, demand- or income-based problems require more innovative and long-term humanitarian assistance.

Box 4.2 Non-governmental organizations fight red tape

The critics are adamant: excessive government oversight and restrictive laws prevent NGOs and charities developing in Russia, just when the country most needs them. Scarce NGO resources have to be expended dealing with red tape. Charity leaders paint an exasperating picture of frustration and corruption. "How are we supposed to help the country overcome this crisis under such poor working conditions?" asks one Western NGO official working in Moscow.

Russian authorities began to crack down on NGO activity in 1996 after hundreds of millions of dollars worth of junk food, alcohol and tobacco were brought into the country tax-free under the guise of 'humanitarian aid'. Now, state customs lets only small aid cargoes of food, clothing and medicine across the border untaxed. More valuable aid consignments must be approved by a government commission in Moscow – sometimes thousands of kilometres away. So, aid from abroad piles up at customs warehouses while charities struggle to get the necessary paperwork together. "The administration reacted to these problems by tossing out the baby with the bath water. They are deterring us at every turn," adds the aid official. She warns that problems with customs are so acute the flow of aid could slow to a trickle.

"Bureaucracy and tough regulations make it a very difficult situation for some humanitarian organizations to handle," agrees Michael Schulz, Russia desk officer for the International Federation. He maintains the Russian government needs a better understanding of the benefits offered by NGOs and civil society. "The breakdown of both the state and the commercial sector necessitates an intermediate channel of distribution," he says. However, Schulz also suggests "it's not a question of state indifference and corruption, but more one of over-patronizing organizations which lack experience in dealing with Russia."

Humanitarian agencies entering Russia assume that anyone in need should accept whatever the West dishes out. "Such an approach is inappropriate," counters Schulz, "and NGO criticism only proves their lack of understanding." In a developed, well-educated country like Russia with a strict set of laws and regulations you cannot mimic techniques used in less-developed countries. "For example," he adds, "Russia has a strict code of registering medicines, but charities complain when unauthorized medical supplies get turned back at customs. But if they tried to import unauthorized medicines into Germany, they would get the same response. Why should we think Russia is any different?"

According to Schulz, humanitarian aid to Russia requires a completely new set of approaches, evident only through trial and error. "The situation is unprecedented so it will take time for NGOs to understand how best to approach the country. I think the first step for these organizations is to understand that a certain sense of reciprocity and patience is required, not arrogance." Procuring aid locally would be a good start, he concludes: "I'm sure humanitarian organizations will get a better reception if their work also helps the local economy."