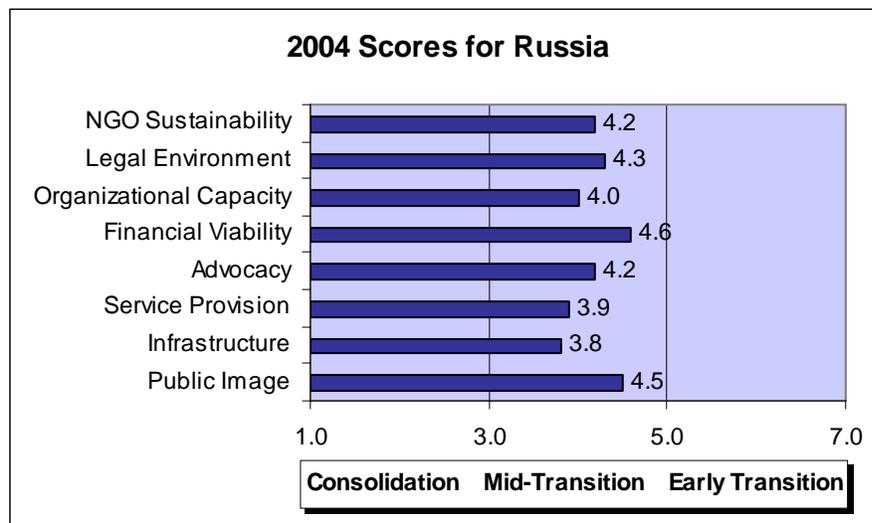


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**RUSSIA**


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**Capital:** Moscow**Polity:** Federation**Population:**

143,780,000

**GDP per capita****(PPP):** \$8,900

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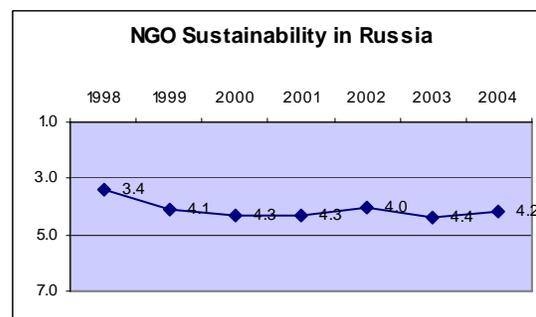
**NGO SUSTAINABILITY: 4.2**


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The 2004 scores have improved over last year, which may at first glance seem difficult to justify. In 2004, the Russian Government continued to implement policies that created a “managed” civil society that paralleled Russia’s “managed” democracy. In part, the President has questioned the legitimacy and efficacy of foreign aid to foster civil society development, resulting in increased scrutiny by police and tax authorities of some foreign funded NGOs. Proposed draft amendments to the Tax Code, if enacted, will impose registration requirements on all types of grants, and further complicate the work of foreign donors and recipient NGOs.

The Government has also reconfigured the mechanisms that allow NGOs to access and participate in government decisions. In November 2004, the President’s Commission on Human Rights was transformed into the Council for Civil Society and Human Rights. The Presidential Administration also proposed

legislation to create a Public Chamber at the federal level that would consist of 126 members and would potentially advise the government on important social issues. One-third of the membership however, will be appointed by the President, and those members will then in turn appoint the remaining members. The legislation has yet to be approved, but the result could be the further co-optation of civil society groups.



Despite all of the changes, President Putin has declared his desire to strengthen civil society, and has given much more discussion to the subject than his

predecessor Boris Yeltsin, who allowed NGOs to develop in an atmosphere of benign neglect. Even though the President's intentions are not clear, the effects of his reforms provide attention and recognition to a few NGOs, primarily those that are able to contribute to the process of economic modernization, social reform, and political centralization. The government is less willing to work with organizations that are not in line with this agenda and the more overt political organizations continue to experience difficulty.

Despite challenges at the federal level, the NGO sector continues to develop, particularly in the regions of the country that are more removed from developments in Moscow. As a result, these NGOs have developed a more pragmatic approach to working with municipal and local governments and are generally successful in opening channels of communication with public sector actors. These improvements in

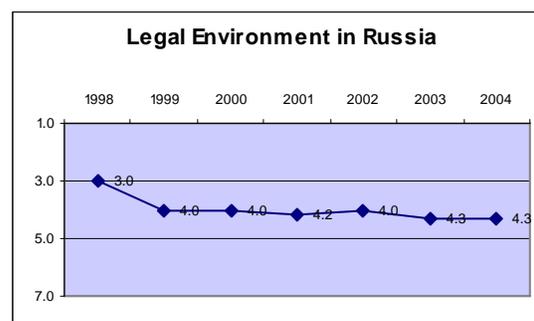
collaboration between NGOs and local and municipal governments are essential to the long-term viability of civil society and contribute to the increase of the overall NGO sustainability score.

Meanwhile, organizations within the sector address varied issues, represent diverse interests, and are affected differently by national-level developments. This diversity is exemplified by the perceptions of different organizations, some of which, like the environmental groups, have a more positive view of sector-wide developments, while others, like the human rights organizations, have an overwhelmingly negative view. The challenge of this report is to provide an overview of the changes at the federal level, while tracking the variations in NGO development within the sector, as well as the regional and municipal levels.

### LEGAL ENVIRONMENT: 4.3

The Legal Environment dimension score did not change from last year when the laws were described as "primitive, outdated, and unclear." The federal government has not approved any new legislation to further define NGOs or their activities and operations since 1995 when the government adopted the Law on Non-Commercial Organizations. At the federal level, Russia still lacks adequate legislation that supports non-profit activities and clear and consistent policies that govern interactions between NGOs and the State. Crucial legislation languishes in draft status in the State Duma, e.g. the Law on For-Profit Activities of NGOs, the Law on Foundations, and the Law on Volunteers. Russian tax law does not support the existence of a self-sufficient

third sector. Unfavorable tax regulations include the lack of tax-deductible corporate contributions, the severe limitations placed on NGOs' ability to generate tax-free revenues and a legal environment that does not permit endowments or trusts.



## 2004 NGO SUSTAINABILITY INDEX

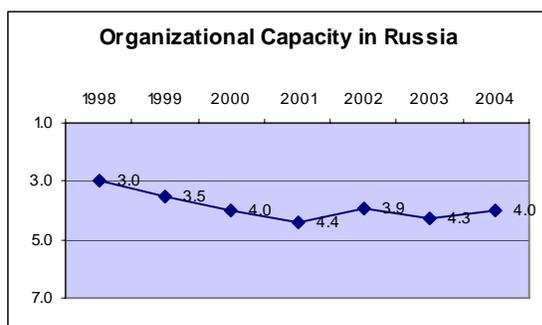
While laws exist to permit NGOs to register and operate, they are not well-defined or consistently executed. As a result, many NGOs are at the mercy of local and regional administrations, many of which interpret the guidelines differently. NGOs have nonetheless been unable to advocate for a new NGO law, largely because inter-sectoral divisions have prevented them from coalescing and presenting a united front.

Fears that the registration procedures adopted in 2002 would lead to increased persecution of NGOs have not materialized and, for the majority of NGOs, the primary impact has been the high cost of registering. Moscow-based NGOs had relatively few complaints about registration process, although the new fees were a substantial setback for NGOs existing on little income. In addition, local and regional administrators often required that organizations repay their registration fees, citing incorrectly filed paperwork. In several instances, NGOs were denied registration after the review of their organizational charters. Since 1999, all

organizations receiving technical and humanitarian assistance from foreign donors have had to register their projects with a state inter-ministerial commission to get an exemption from certain taxes. Recently, poorly structured registration procedures have led to delays in obtaining tax exemptions and adversely affecting the reputation of these organizations.

Meanwhile, the government has increased scrutiny of organizations that receive grants and technical assistance from abroad. During his State of the Union address in May 2004, President Putin charged that some NGOs were primarily concerned with obtaining international funding, which later led to an increase in tax and police scrutiny of some organizations that receive foreign funding. In July 2004 and on the first reading, the Duma adopted amendments to the Tax Code, which will require that all types of grants be registered if enacted. The legislation has stalled in its second reading and has not yet been adopted.

### ORGANIZATIONAL CAPACITY: 4.0



The overall number of NGOs in Russia continues to rise; however, the numbers do not accurately reflect that only a small percentage of groups carry out their activities on a regular basis. The majority of organizations are still “one-man shows,”

meaning that they are led by a single charismatic leader who runs the organization when the time and money permits. These organizations also have little turnover of leadership and are generally not transparent in their operations.

The level of organizational capacity is often differentiated by ability to attract resources: there are organizations that receive grants from western organizations and others that struggle to operate on domestic funding alone. Groups with a stable source of funding have the office space, staff, computers and technical expertise to implement programs and they are more

likely to be run by a cadre of professional staff that is specifically trained to work in the NGO sector. These organizations are also more likely to develop clearly defined management structures, utilize boards of directors, and/or publish annual reports. By contrast, many locally-funded NGOs often lack the resources to consistently strengthen their staff and administrative capacities.

The organizational capacity of many organizations has been affected by the decline in western assistance. Many NGOs report that their office technology has become outdated, adversely affecting their ability to work. The greatest loss has been the departure of talented personnel. Without funding to pay professionals, many well trained specialists have taken their skills to the private sector or government. “Burnout” among the more experienced workers drives them to other sectors as well. The presence of new activists in the sector is limited by

the lack of university programs in nonprofit sector management.

Despite these trends, participants in the scoring felt more optimistic this year. Despite likely decreases in financial resources, external support over the past five to ten years enabled organizations to significantly build organizational capacity. NGOs in many regions have witnessed an increase in support from municipal governments providing office space, small grants or other forms of support. This support tends to be issue specific, as local and regional governments tend to favor groups that work on issues such as youth development, or children’s welfare. Organizations that address the environment, human rights or gender issues are less likely to receive government support and are therefore, more dependent on western funds for organizational support.

#### FINANCIAL VIABILITY: 4.6

Attracting sufficient financial resources continues to trouble the NGO sector. The Open Society Institute, a major international contributor, left Russia. Other donors are also scaling back their commitments or limiting their focuses to specific themes. NGOs are also negatively affected by the lack of tax incentives to promote corporate and individual philanthropy. In a country where checkbooks do not yet exist, NGOs are not able to take advantage of “checkbook activism” that benefits organizations in some other countries. Most significantly, as seen in other countries, the lack of a substantial middle class means that citizens do not have the time or income to dedicate to NGOs.



Despite the lack of legal incentives for philanthropy, a small but growing number of national corporations is providing support to NGOs. An emerging trend in corporate philanthropy has evolved as businesses try to increase community investments, as well as respond to government calls to assume greater levels of social responsibility. Several major organizations are now

sponsoring their own grant competitions; other profitable business owners are devising ways to give back to the community. Overall, however, the business community's interest in and financial support of the NGO sector has increased. For example, a nascent network of 16 community foundations has emerged in cities across Russia, and the community school movement has become more active throughout the regions. Both of these developments point to growing civic consciousness among key actors such as schools, businesses, and political leaders, who are all interested in improving their local communities.

The municipal and regional governments have also become more active financial supporters of NGOs. In more than 20 Russian regions, authorities fund substantial annual NGO grant competitions, significantly increasing public sector resources for local civic initiatives. Local authorities are also contracting out services and finding alternate ways to support organizations, such as providing free office space, telephones, and/or office staff. These developments are not happening evenly across Russia. Although governments in the

Volga and Siberia regions have increased their support of NGO initiatives, NGOs in Russia's Far East are still in the early stages of building linkages with local and regional governments.

Among the most persistent challenges to NGOs is the difficulty in finding stable sources of funding when each funder has distinct interests and priorities. Governments and private sector donors generally do not financially support politically sensitive themes, such as women's rights, human rights, or environmental organizations, but rather these donors generally support organizations that provide social services or work on practical and "safe" issues such as education, children or veterans issues. As reflected in President Putin's speeches, any project that addresses social responsibility has become popular while overtly political activities have become off limits. Yet, despite these problems, NGOs have a greater diversity of funding opportunities than they did several years ago when foreign donors were the primary source of funding for many groups.

### **ADVOCACY: 4.2**

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NGOs are gaining greater access to policy makers at the regional and municipal government levels; however, in general they continue to have difficulty influencing policy, particularly at the federal level. NGOs generally have the most success when advocating for specific issues. Independent think tanks have informed public debate and shaped key public decisions on housing and budgetary reforms and environmental policy. For example, in Siberia, the analysis and public hearings of the Baikal

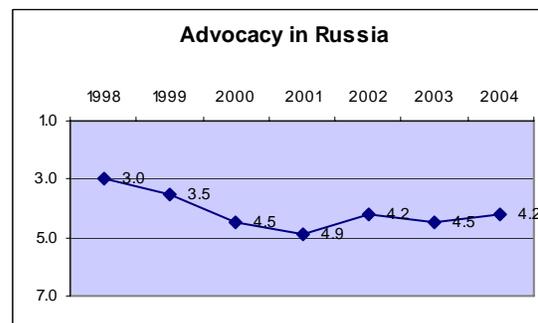
Environmental Expertise Center effectively stopped an environmentally and socially dangerous plan for gas drilling under Lake Baikal.

NGOs have also found success in creating direct lines of communication with regional and local policy makers. In regions where the local governments offer grant opportunities, NGOs often sit on selection committees to assist with selecting grantees. NGOs in Samara often participate in

roundtable discussions with the local government, providing expertise on a wide variety of issues. In other regions, such as Novosibirsk and Kemerovo, NGOs are involved with local Public Chambers of Commerce and offer counsel, advice, and expertise on critical social issues. In Irkutsk, the coalition of local business associations advocated and won a legislative program in support of small businesses in the region. The local legislature in Primorsky Krai established the first Public Youth Council as a result of public hearings organized by local youth groups, now allowing young people to participate directly in the locality's budgeting and policy-making process.

Although NGOs generally do not launch advocacy campaigns at the federal level, both regional and Moscow-based groups have organized to prevent passage of a new tax code that would have required the registration of all grants. Some organizations have also made progress in developing relationships with departments in the federal government by securing

positions on commissions, committees, and advisory councils.



Overall, the current ability of NGOs to participate in shaping policy is still limited, and the impact is minimal and dependent on the good will of the government. Developing constituencies that are highly visible will give NGOs credibility and add weight to their claims and legislative demands. Unfortunately, Russian NGOs have a long way to go in developing the constituencies, unified agenda and broad public support that will be necessary conditions to influence public policy consistently and successfully at the federal level.

### **SERVICE PROVISION: 3.9**

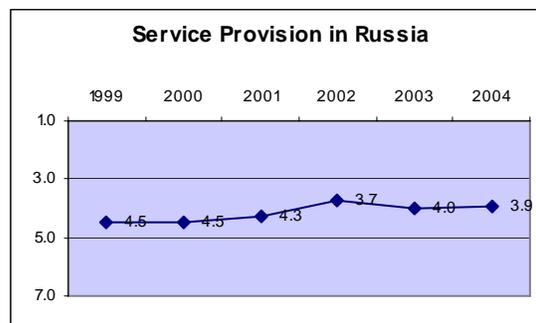
The Service Provision score did not change much from the previous year, due in part to stagnation on this issue at the national level. The Russian Government has traditionally been the sole provider of services and is hesitant to relinquish that responsibility to any significant degree. Laws governing service provision exist in just a few regions and are applied unevenly or lack mechanisms for implementation. In addition, many local governments think that NGOs are too inexperienced to handle the cumbersome reporting and taxation requirements or lack the capacity to deliver the services promised.

The fast changing political and socio-economic situation in the Russian Federation, including “de-governmentalization” of social service functions, provides new opportunities for civil society organizations. Increasingly, regional and municipal governments are tasked by federal authorities to develop, finance, and deliver social service programs. The limited capacity of local governments to execute these tasks creates an opportunity for NGOs. The Ministry of Economy has identified a realistic economic approach to strengthening civil society in Russia, which includes equal opportunities for NGOs and

## 2004 NGO SUSTAINABILITY INDEX

state organizations in the “market” of social service delivery and increased grant-making. In order to take advantage of these opportunities, NGOs must strengthen their skills to meet the contracting demands of regional governments. Through improved quality and increased quantity of social service delivery, NGOs have enhanced their capacity to respond to the public interest, which will ultimately strengthen the Russian third sector.

The service provision of NGOs is maturing, but remains an underdeveloped mechanism for NGO development. NGOs are gradually building their capacities to deliver services, but the range of services is relatively limited and provided to a restricted clientele group. Additionally, recipients often cannot afford to pay for the services rendered, or are only able to pay a small amount. As a result, providing services is not a self-sustainable endeavor for supporting the NGO sector.



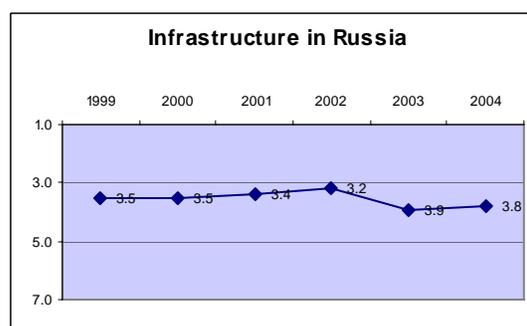
In the more progressive regions, where public administrations are supportive, NGO service provision is growing rapidly. However, in general, NGOs are hesitant to compete for contracts when they are made available, fearing that ambiguous legislation and suspicious tax police will only bring them additional administrative problems. The government currently requires that NGOs pay taxes on the value of their services, even if they provide them free of charge, serving as a deterrent to providing services at all.

### INFRASTRUCTURE: 3.8

The 2004 score for the Infrastructure dimension improved over last year, in part because NGO resource centers have served as catalysts for increased NGO activism in the regions. Russia spans eleven time zones and has over 35 cities with populations over 500,000. In a country of this size, NGO resource centers are vital providers of NGO training and expertise. In all, Russian NGOs are connected by 40 resource centers across the country.

Over the years, various resource centers have evolved to meet the demands of regional NGOs and community organizations. Some centers concentrate on training and consulting for NGOs, while others facilitate community and citizen activism, or work to impact government

policy. All of the centers have evolved to conduct activities that directly strengthen the infrastructure of the sector. Resource Centers have also expanded into grant-making organizations, and are working towards becoming indigenous foundations that are able to support NGO activities within their regions.

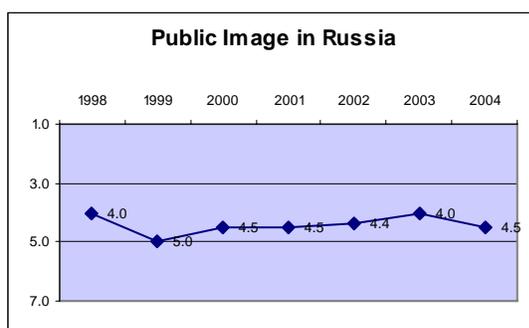


Several strong networks exist that address specific areas, such as the environment, health, migrants, and youth development; however, NGOs rarely organize to form larger umbrella organizations or coalitions. Russian NGOs, with their large variety of interests, have difficulties in identifying and collaborating on common issues. One recent example occurred when the NGO community was split on whether to participate in the government-sponsored All-Russian Civic Forum in Perm. Some chose to participate and attempt to collaborate with

the government, while others perceived it to be a closely-controlled event and chose to organize an alternative forum in which they were able to air their grievances about backsliding in democracy. The division in the broader NGO community about such matters weakens the sector's ability to act on common issues, such as better regulatory legislation or taxation policies, that affect the operating environment and potential effectiveness of all NGOs.

## PUBLIC IMAGE: 4.5

Overall, the NGO sector's public image has improved somewhat, but in general, the public is still uninformed and suspicious of NGOs. Although in his 2004 State of the Union address, President Putin credited the work of citizens' groups and civic organizations, he flatly criticized organizations that serve "dubious groups and commercial interests." He argued that these organizations do not serve the real interests of the people, although the reality is that thousands of Russian organizations continue to serve their communities while going unnoticed. Such public comments from the very highest levels of government stir negative sentiment and distrust or disinterest in NGOs.



Many NGOs are aware that they have a low public image, but they are still averse to or unskilled at building their constituencies and developing greater public support that will help to improve their public image. Without greater domestic support, both financial and moral, NGOs will be unable to sustain themselves in terms of either financial or human resources. Over the past few years, NGOs have been building constituencies, although this area remains a problem for many organizations that are better at speaking on behalf of their constituents than communicating with them. Lacking a visible constituency or positive public image, NGOs will continue to have problems being taken seriously by government administrators.

An issue that contributes to the low public image of NGOs is the general public's lack of participation in civic life. In Russia, there are only .65 organizations per person—low even for post-communist countries, which as a group have the lowest rates of organization among democratizing countries. Furthermore, citizens are still unfamiliar with concepts such as civil society, a term with which only 16% of Russians are

familiar, according to a 2001 survey. More recent focus group studies (2004) indicate that some citizens might tolerate or even welcome democratic “centralism” where civic debate would be channeled and controlled by a central hierarchy, thereby undercutting the role of NGOs in building positive public opinion, fostering public discussion, and demanding government accountability.

NGOs often fail to promote their activities, forfeiting an opportunity to educate the public about their functions in society and their contributions. Instead, for example, they might concentrate on publishing newsletters that are only circulated among a few NGOs rather than to the general public. NGOs that receive foreign funding compile annual reports, but these are rarely made available to the public. In some cases, with donor encouragement, NGOs put in place mechanisms such as boards of directors to enhance their organizations’ status or public outreach; however, they do so solely to please their donors, again sacrificing an

opportunity to improve their internal governance, external outreach and public image.

NGOs have had the most success in improving their image with local and regional governments and businesses. Over the past several years, NGOs have been able to educate government officials about their activities. Businesses are slowly turning to NGOs in an effort to distribute charity or funding opportunities for community groups. In a few regions, NGOs have promoted their activities by hosting NGO fairs or sponsoring public initiatives, such as special volunteer weeks, which have galvanized hundreds of thousands of citizens to participate in their communities.

Overall, NGOs have been able to improve their public image when they are involved in issues that are compelling to the general public and when they are able to meet the public’s needs—two essential factors in future sustainability and growth of the NGO sector.