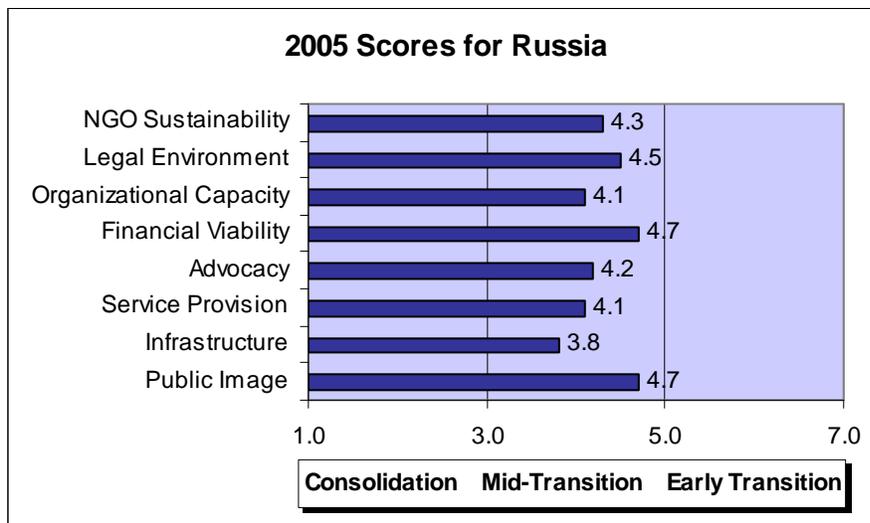


## Russia



**Capital:** Moscow

**Polity:** Federation

**Population:**  
142,893,000

**GDP per capita  
(PPP):** \$10,700

### NGO SUSTAINABILITY: 4.3

The overall sustainability score decreased slightly over the past year. The Putin administration continued to consolidate its political power by appointing regional governors and implementing new restrictions on the formation of independent political parties. In September of 2005, the administration created the Federal Public Chamber to act as a buffer or control mechanism to manage the relationship between NGOs and the government. Critics fear it will instead hinder policy discussions and be little more than a “rubber-stamp” for government decisions.

Among the positive developments, civil society organizations and the government are adjusting to the realities of an indigenous third sector. Although critical and suspicious about foreign funding of NGOs, the Russian government is emphasizing domestic philanthropy, declaring 2006 the “Year of Philanthropy.” Government institutions have introduced several pieces of legislation to promote the financial stability of the NGO sector. The Ministry of Economic Development and Trade developed a package of legislative measures to increase the economic impact that NGOs have on social and community development, and ensure

competition and openness in the social services market. A long-pending law on foundations, first passed in 1995, is being revised to provide more effective mechanisms for NGOs to access state funds. The Duma is also drafting another law on endowments, which will be important for the financial sustainability of the NGO sector.

As foreign funding continues to decrease, Russian NGOs have begun to rely more on local support, with varying degrees of success. Corporate philanthropy continues to grow as businesses invest in community and social development by supporting NGOs. Community foundations and local government funding also continue to support the NGO sector by providing more grant opportunities.

Though limited, government institutions have begun to engage NGOs on matters of government policy and social services. As authority and policy making becomes more centralized, local governments are often unprepared for constructive dialogue. Local governments take advantage of NGOs to promote policy, but do not include them in policy discussions on issues important to the

local communities. As a result, the NGO sector's image as social advocates remains largely unchanged.



NGO experts estimate that 20-25% of the approximately 450,000 registered organizations are regularly active. The vast majority of organizations are engaged in social or charitable activities, though many are working to influence policy and are critical of the government.

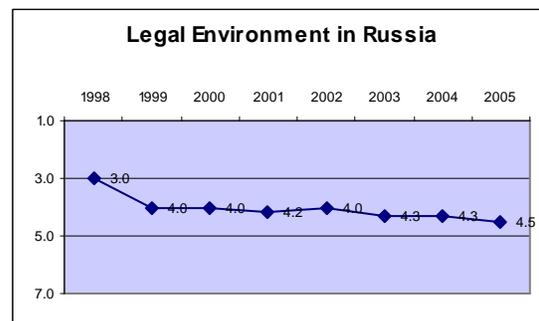
Meanwhile, it is increasingly difficult for NGOs to access media to broadcast their opinions or work with Parliament, which has become a rubber stamp for the presidential

#### LEGAL ENVIRONMENT: 4.5

The Legal Environment dimension score dropped as a result of the government's efforts to exert more control over the NGO sector. One factor that contributed to the decrease in score was the adoption of the law "On Introducing Amendments to Certain Legislative Acts of the Russian Federation," (the "NGO Law"). Early in 2005, President Putin and the Federal Security Agency warned that international donors were using domestic NGOs to interfere with Russian politics. In response, the State Duma adopted the NGO Law in December 2005, and President Putin signed it into law in January 2006. A wide variety of groups opposed the draft law, including representatives from foreign NGOs and governments. Before it became law, the Council of Europe warned that the NGO Law may violate the European Convention on Human Rights and other international agreements. The law imposes tighter registration requirements for NGOs, strict monitoring of organizations, extensive reporting

administration. Human Rights Watch reported that "[t]he demise in the media and parliament of recent years has had twin effects for NGOs; they are among the few independent voices in Russian society that are left, yet the ability of NGOs to work effectively has been considerably undermined" (Human Rights Watch, "Managing Civil Society Are NGOs Next"). In late 2005, the state Duma introduced and passed amendments to legislation concerning federal registration of NGOs and public reporting requirements; President Putin quickly signed the law in January 2006. The drafters of the law assert that their intent is to establish unified control over non-commercial organizations in order to provide stability to civil society and promote equality among those serving the public benefit. Critics, including foreign NGOs and governments, and the Council of Europe, argue that the law will make the registration process more complicated, arbitrary, and long, and allow the government to regulate the sector more intrusively, thereby undercutting the long-term development of a free and open civil society.

requirements, and limitations on the participation of foreign citizens in NGOs. The law also permits more intrusive means for government officials to scrutinize public associations, without any procedural protections. In addition, it grants the state registration entity with great discretion to deny registration or to shut down an organization based on vague and subjective criteria. As a result, the legal barriers that NGOs face are greater than those affecting the business community.



The tax law continues to impede the NGO sector's financial sustainability, as organizations attempt to develop economic activities and diversify their sources of income. The tax system does not provide incentives to promote corporate philanthropy and organizations pay high taxes on their earnings. The NGO sector continues to lobby for a more supportive tax system.

The government continues to be vigilant and aggressive with organizations it considers to be "subversive." Numerous human rights and opposition groups have reported politically motivated hostility from the government. The Open Russia Foundation, founded by Mikhail Khodorkovskiy, has been subjected to numerous tax inspections. Government officials disapprove of its financing civil society and

liberal political parties. The Commission of Technical Assistance and Humanitarian Aid continued to scrutinize internationally funded NGOs.

Despite these impediments, numerous government institutions have formally recognized the need to simplify and improve the legal framework. The Duma is now reviewing a draft law for improving the status of autonomous non-commercial organizations. Many deputies and ministerial officials have initiated review of the 1995 law on foundations, and the Ministry of Economic Development has begun to discuss the lack of endowments for NGOs and foundations. These are positive signs that some government officials now realize the economic and social impact of NGOs.

#### **ORGANIZATIONAL CAPACITY: 4.1**

It is difficult to measure the organizational capacity of the NGO sector, given its size and diversity. The divide between those organizations with resources and those without threatens the sector's unity. The few dozen organizations able to obtain both international and domestic funding are better organized and tend to resemble Western organizations in structure and capacity, with functioning boards and development strategies. Sustainable funding allows these NGOs to plan their activities for longer periods and to have offices, professional staff, current communications technology, and funds for public outreach and advocacy. These well-established organizations continue to expand their capacity and advocacy programs with fundraising and public relations efforts. Smaller grassroots organizations, however, are limited by the decrease of funding and the government's unwillingness to partner with them.

Many grassroots organizations, especially those that provide social services, operate from grant to grant. They are generally led by one strong leader and staffed by poorly trained volunteers. Local donations are often in-kind or only support specific activities, providing little or no support to develop organizational capacity. Small organizations are challenged by insufficient access to the internet, outdated technology and equipment, and poor salaries. The lack of human and financial resources not only prevents these organizations from achieving sustainability and becoming more professional, but also often forces them to close. This is common in the women's crisis center movement, which once thrived with international support but is now losing membership rapidly. If this trend continues, the number of effective social organizations and the availability of NGO social services will decrease.

Russian organizations are no longer able to attract capable and talented professionals. As the Russian economy expands, salaries in the private sector increase. NGOs are unable to compete, and the divide between salaries in the private and NGO sectors has grown. As a result, NGOs are losing many of their employees to the private sector. Grassroots organizations are generally immune from such



“brain drain” because their staff is not as competitive in the labor market. NGOs increasingly take advantage of volunteerism, which is on the rise, especially among the youth. Though not wide-spread or systematic,

institutions of higher education are offering more courses in non-profit management, which will hopefully produce a more qualified labor pool. Experts, however, are wary, considering the recent salary trends.

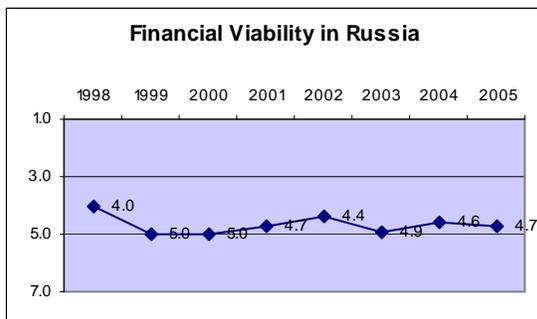
**FINANCIAL VIABILITY: 4.7**

Financial viability continues to be the greatest challenge for Russian NGOs. Foreign funding continues to decrease, and corporate philanthropy, while growing, is insufficient to support the entire sector. Despite economic growth and rising salaries, individual philanthropy is limited primarily to in-kind donations. Despite these challenges, the more sophisticated and mature organizations are generally capable of taking advantage of existing resources.

Government grants and procurement opportunities have increased, though the impact varies. In many regions, government grants for NGOs service providers are becoming more common. In Krasnoyarsky krai, the government has allocated 17 million rubles (US \$550,000) for grants to organizations that provide social and development services in rural areas. Like corporate funding, however, government support is not distributed evenly across the country. Though government funding is beneficial in some areas, in others, support is only provided to those organizations created by the government or the local political elite.

NGO experts applaud the increase of corporate philanthropy, and are hopeful that it will promote the development of NGOs across Russia. In the past, corporate philanthropy was limited to large international and domestic oil and banking entities. Recently, corporations such as Siberian Ural Aluminum and Wim Bill-Dunn are also supporting NGOs and investing in community and social development. Small and medium corporations have come to recognize corporate responsibility as a marketing tool and a means for community development. Local foundations benefit from the increased investment, as do smaller organizations such as sports clubs and social welfare groups, which are now able to cultivate long-term support. Despite these improvements, charitable contributions from the private sector are ad hoc, and include participating in charity marathons, or investing in communities via “forced philanthropy” or government-driven charity models.

Despite unfavorable conditions, larger, well-established organizations are more adept in exploiting the dwindling sources of funding. In addition, NGOs have become more sophisticated in navigating the tax system. For example, many NGOs create for-profit subsidiaries to generate income, which allows them to remain in a simplified tax bracket and enjoy VAT exemptions and lower taxes. The subsidiary for-profit organizations provide training and consultations for fees, and channel profits back to the parent organization. These opportunities are limited to the larger organizations, however, as smaller NGOs lack the financial management capacity and human resources to create a for-profit entity. At the local level, NGOs have to rely more on local resources. Human rights and advocacy organizations critical of government policy have little chance of receiving any domestic support and rely exclusively on the dwindling international support.



## ADVOCACY: 4.2

Over the past year, efforts to influence policy were impeded by the government's continued centralization of the political process and social policy development. The elimination of gubernatorial elections and many of the mayoral elections has made local government more responsive to the federal government than to its citizens. While publicly applauding the role of civil society in community development and exploiting its popularity, local and regional governments rarely permit NGOs to participate in policy discussions.

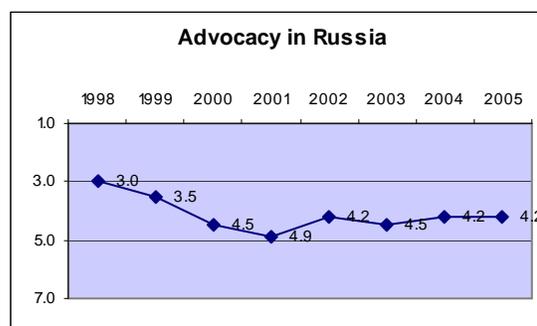
In September 2005, the Putin administration created the Federal Public Chamber to increase public participation in the federal government. The members of the Chamber, however, were chosen by the Putin Administration, calling into question their ability truly to represent their constituents. NGOs were to select one-third of the Chamber's members, but regional governments selected representatives instead with little or no input from the NGO community. The Chamber begins its work in early 2006, and its function and character will become clearer in the coming year.

An organization's ability to advocate for its constituents depends on its overall capacity and networking skills, as well as the government's position on the issue at hand. Despite the limited space for public debate on federal policy, NGOs have had numerous advocacy and public information successes, and produced significant results over the past year. In one example, a national campaign was able to have the Chamber of Commerce and Industry and the Union of Business Associations incorporated into several existing laws including the tax code and laws regulating business licensing. This will give small and medium enterprises a tax break and allow them to use a simplified tax system, as well as decrease the number of businesses that require licensing.

In Perm Oblast, the NGO community institutionalized the process by which all social policy and draft laws are reviewed by the public. The Siberian Civil Initiatives Support Center in

Omsk and Irkutsk are regularly asked by local and regional government officials to provide expertise on education, health care, and community reform policies. In Samara and Khabarovsk, service organizations worked with regional governments to amend the methods for implementing sensitive reforms that replace social benefits, especially for pensioners, with monetary subsidies.

The new Law on Self-Governance will provide more opportunities for NGOs to participate in policy making at the local level. The law creates participatory mechanisms such as referendums, municipal elections, public hearings, law-making initiatives, community forums, and citizen surveys. The law requires public participation in drafting the charters for municipal entities, planning local development and budgets, deciding land use issues, and other activities. In regions such as the Jewish Autonomous Republic, Amur Oblast, Primorsky krai, and others in Siberia and Southern Russia, NGOs already partner with local governments to encourage citizen participation. Very few organizations, however, possess the knowledge and skills needed to conduct a public information campaign and inform the population about the opportunities created by the new law.



In general, organizations and the public have been slow to accept advocacy as a function of the NGO sector. This is in part due to society's preference for a paternalistic state over one in which individuals promote their own interests and rights. Advocacy efforts are also hindered by a lack of unity and leadership within the sector, and the inability of organizations to

employ analytical data. NGOs' unwillingness to collaborate on common issues has led to unhealthy competition, ineffectiveness, and disjointed activities. Competition for government and corporate funding also interferes with cooperation among NGOs on advocacy efforts. Local and regional governments provide more support to the more compliant and malleable organizations in order to co-opt the NGO sector at the local level.

Still, NGO movements concerning controversial national issues were increasingly visible this year. The Union of Soldier's Mothers has been a vocal opponent of the war in Chechnya and received both positive and negative media attention. A wave of protests by pensioners across Russia in January 2005 concerning the monetization of social subsidies reform forced the government to soften the implementation of the reform.

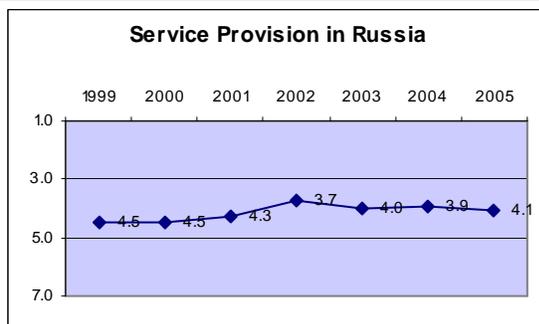
Organizations have provided information and consultations to citizens, and raised public awareness about new provisions of the Housing Code. A regional anti-corruption coalition in the Russian Far East is successfully pursuing issues of transparency in local decision-making and provides access to information for citizens.

Environmental groups in the Republic of Bashkortostan have led a campaign to promote reproductive health and lower the risks

associated with environmental degradation. Women of childbearing age receive training on the environment and healthy living. The Network of Siberian Rivers, an environmental coalition, developed a project to protect Russian rivers by promoting public debate on construction projects and developing ecological strategies for different rivers.

NGOs quickly organized themselves when the draft of the NGO Law was approved by the State Duma on November 23, 2005, just sixteen days after its introduction. Both domestic and international organizations, as well as foreign governments, were critical of the draft. The Russian Donor's Forum published an appeal protesting it, and members of the newly created Public Chamber requested that the Duma delay consideration of the draft law until they could hold public hearings on the matter. While the Putin administration and Parliament were reviewing the law, civil society organizations in Russia worked to improve the draft by conducting comparative law studies, preparing comments, organizing public discussions in the media and within the NGO community, and preparing alternatives. NGO representatives prepared a letter of protest and obtained more than 5300 signatures from all across Russia. Approximately 80% of the changes proposed by the NGO Consortium were accepted in the final draft of the NGO Law that Parliament adopted.

#### SERVICE PROVISION: 4.1



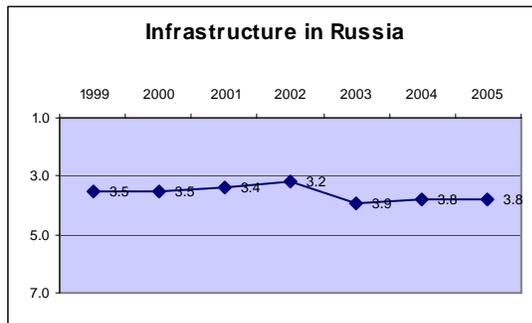
The government's vague policies concerning NGOs have placed legal limitations on the services that organizations are able to provide and prevented them from meeting expectations

of the role of NGO service providers. In 2004, the government decentralized its control of social services as a priority of its economic reform, turning instead to the business and NGO sectors. Decentralization, combined with the Minister of Economic Development's plan to improve the impact of civil society organizations, created expectations that the NGO sector would increase its role in providing services. The legal and financial barriers, as well as weak internal capacity, have prevented organizations from playing a larger role.

NGOs continue to provide services to marginalized women, children, veterans, and other at-risk populations, but are unable to make up for the lack of government services. New procurement opportunities are expected to increase NGO service provision, though former municipal social service organizations and NGOs generally lack the organizational capacity and skills to compete for government contracts.

NGOs have yet to develop a market for their services, or take advantage of existing markets. Local organizations most often target populations that are unable to pay for services. Government subsidies are slow, but the more progressive regional governments are now increasing their support for staffing and institutional expenses. The only well-developed market is served by quasi-NGO think-tanks that provide analytical services to government institutions.

### INFRASTRUCTURE: 3.8



The shift from international funding to more domestic support is slowly improving the NGO infrastructure. Despite the political struggle concerning NGO activities, the increase of domestic grant-making and philanthropy is evidence of the growing independence of Russian civil society. In the absence of foreign funding, organizations have had to develop and implement mechanisms for attracting local support. The ten years of foreign support for NGO resource centers resulted in a more formal infrastructure. The challenge now is to secure domestic funding so that it does not deteriorate.

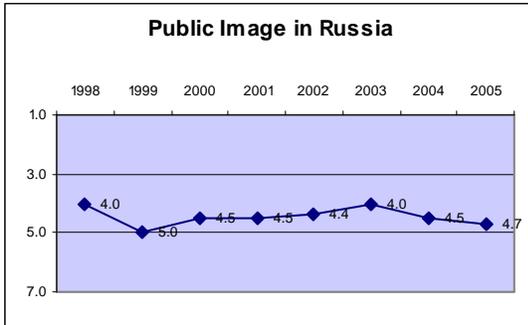
Though NGOs do not have access to policymakers at the federal level, they continue to enjoy formal relations with local and regional governments, a sign of their increased capacity. Local NGO advisory committees, public hearings, and increased investment in social policy expertise have become common across Russia. NGOs now face the challenge of adapting these mechanisms so that they are effective in the new political environment. With their increased presence over the past five years, the government had to create the Public Chamber to liaison with NGOs, legitimizing their presence as a well-established local force.

Despite the sense that the NGO sector is an integral part of Russian society, the dramatic decrease in funding for resource centers has significantly slowed the development of NGO infrastructure. Experts report that the number of resource centers has dropped from forty to thirty over the past two years. Many fear that if more local resource centers close, it could have an adverse affect on the ability of new organizations to form in the coming years.

### PUBLIC IMAGE: 4.7

Over the past year, the sector's public image was damaged by statements from the federal government that NGOs are suspicious organizations funded by western governments. Early in 2005, President Putin said that foreign governments were funding NGOs to conduct activities that did not serve the needs of Russian communities; the underlying message was that NGOs serve foreign interests and cause instability in Russia. In response to the

revolutions in the NIS, President Putin charged that donors were using Russian organizations to influence the political process and stressed that the government would not tolerate such interference. At the same time, the government has praised civil society as a concept, sending a mixed message to NGOs.



The public continues to be unaware of NGO activities. The All-Russian Public Opinion Research Center survey conducted in November 2005 reported that only 3% of Russian citizens have had personal contact with an NGO, and 9% know about NGO activities in their region, while 51% were completely unaware of NGO activities. Of those surveyed, 40% stated that NGO activities are unimportant for the majority of citizens. Despite these numbers, 38% believe that NGOs protect citizens' rights and promote public initiatives to help solve specific issues. Of those that are familiar with NGO activities, 47% believe that they should work in the areas of child welfare and protection of parents' rights, while 30% believe they should engage in neighborhood improvement and educational activities.

NGOs have yet to develop the capacity to publicize their services, gain the trust of their

constituents, or counter the attacks from the government. NGOs focus their attention more on customer service than public outreach. Their inability to communicate with the public creates confusion over what services are provided by the government and those by non-profit organizations. Citizens continue to look to the government to solve their social problems without recognizing the positive impact of NGOs. Publications by NGOs are limited and tend to focus on their achievements and activities rather than developing brand recognition or community trust and support.

While the press increased its coverage of social and community development, it continued to be largely unaware of the role that NGOs play. National newspapers provide NGOs with space to solicit donations for social service programs, but journalists and NGOs were unable to prepare solicitations in a manner that makes a case for supporting NGOs' positive contribution to society.

In a positive development, every year more citizens begin volunteering. In 2005, 580,000 people participated in volunteer activities. The economic value of this volunteer time is more than \$2 million.