

RUSSIA



Capital: Moscow

Polity:
Federation

Population:
140,702,096 (July 2008 est.)

GDP per capita (PPP):
\$15,800 (2008 est.)

NGO SUSTAINABILITY: 4.4

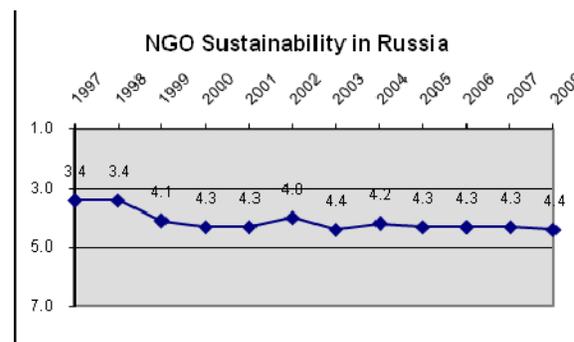
According to the Ministry of Justice, more than 217,000 noncommercial organizations are registered in Russia. Of these, 57 percent are public associations and 11 percent are religious groups. Experts estimate that 40 percent of registered NGOs are actually functioning. In addition, 248 affiliates and representative offices of international and foreign organizations operate in Russia.

As in 2007, government policy toward the nonprofit sector was the key factor that affected changes in NGO sustainability in 2008. The Russian government has formulated its priorities regarding how civil society should develop and in what activities NGOs should be involved. The state has become more active in funding selected NGOs and choosing NGOs to be engaged in policymaking.

The state has created numerous institutions and mechanisms for integrating NGOs into the power structure, such as the Public Chamber, public councils at ministries and agencies, and similar entities at the regional level. Municipal authorities are proactively establishing NGO resource centers that are guided by government priorities. Most NGOs see neither the need nor the potential to build constituencies, believing

that lobbying through government officials is more effective.

The amount of funding that NGOs receive from foreign foundations and international organizations shrank compared to the share from federal and regional budgets. The government supports a limited range of activities, however, and does not cover NGOs' operating expenses. NGOs increasingly have to pursue projects outside their missions and strategic goals in order to obtain resources for core projects.



The state has formally recognized NGOs as social service providers. Legislative amendments make NGOs eligible to participate in tenders for service provision contracts that are subsidized by regional and municipal

government funds. Often NGOs are unprepared to compete in the services market, however.

The overwhelming majority of citizens surveyed are positive about various community and charitable activities. Yet, public awareness of NGOs' work is still very low. Only one in five

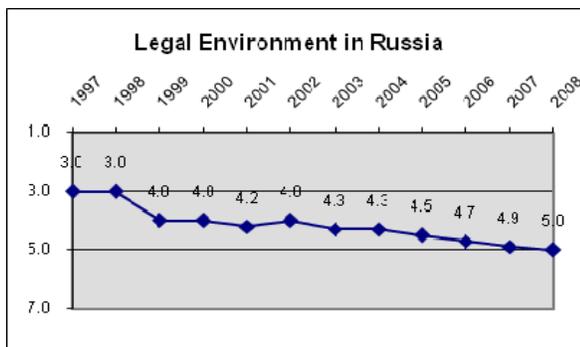
respondents in a recent study was able to name one NGO. NGOs often fail to publicize their work. Both NGOs and the public are rather pessimistic about the NGO sector's capacity to solve social problems and still view this as the prerogative of the state.

LEGAL ENVIRONMENT: 5.0

Although no substantive changes occurred in the legislative and regulatory framework which governs the NGO sector in Russia, the government's policies towards NGOs became more restrictive. NGO advocacy efforts helped to prevent adoption of restrictive changes to some laws. For example, no negative amendments were made to the NGO laws, notwithstanding several proposals by the Ministry of Justice. A resolution reducing from 100 to twelve the number of international grantmaking organizations whose grants are exempt from profit tax might have a negative impact on the third sector.

In May 2008, a presidential decree dissolved the Federal Registration Service (FRS) as a stand-alone governmental body, and FRS' functions were transferred to the Ministry of Justice. This led to cancellation of the inspections of NGOs that were initiated by FRS. The transfer of functions sometimes led to delays in NGO registration.

The Civil Society and Human Rights Council under the President of the Russian Federation was officially dismissed following the election of the new president earlier in the year. A new council was appointed in February 2009.



Judicial practices still leave much to be desired. In arbitrating disputes between NGOs and government authorities, particularly the FRS, the Supreme Court often based its rulings on technical grounds. A number of reputable, proactive organizations were closed due to legal technicalities. It should be noted, however, that legal and financial documents of NGOs are not always in compliance with the laws and regulations.

The government declared development of philanthropy to be high on its agenda. Measures to encourage private giving and volunteerism were discussed at the All-Russia Forum organized by the Public Chamber in November 2008. A package of laws related to NGO endowments was prepared and is pending with the Ministry of Economic Development. In 2008, laws on self-regulated organizations and mutual loan societies were passed, but these changes affected only a small group of specialized NGOs.

Tax inspections and financial and legal audits are often spearheaded against organizations that voice views that differ from official ones. These are mostly human rights organizations. At the same time, authorities are usually more tolerant toward NGOs that provide services to local communities. Insufficiently developed legislation on the NGO sector makes it possible for government officials to make discretionary interpretations of ambiguous laws and regulations.

Legal practices vary across Russia and with respect to different types of NGOs. NGO registration problems rarely occur in

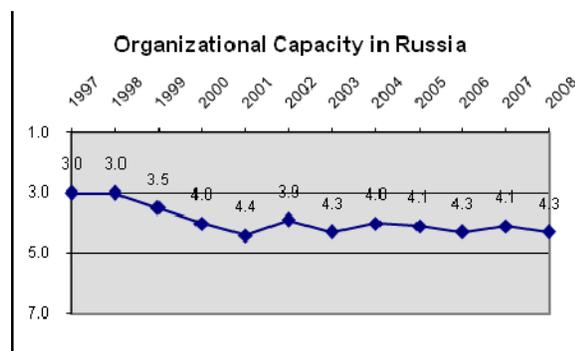
Novosibirsk and Samara Oblasts. In Samara, several NGOs even managed to fight and successfully defend their interests in court. In Moscow and Moscow Oblast, registration and amending registration documents are very complicated procedures that can take up to several weeks.

NGOs face other types of challenges related to non-NGO specific legislation. For example, laws that regulate the provision of educational services are interpreted very strictly. Tough licensing requirements are applied to all programs deemed to be educational, including

advocacy and informational programs. Another restriction relates to the geographic boundaries within which NGOs can legally operate. The activity of any NGO is restricted to the boundaries of the municipality or region where it is registered. The Federal Law 108 FZ on Concessions, adopted in June 2008, and amendments to the Law on Protection of Competition have changed the process for concluding agreements related to municipal and state property. As a result, NGOs face difficulties in concluding low-cost office lease agreements.

ORGANIZATIONAL CAPACITY: 4.3

The organizational capacity of NGOs declined over the last year. Only the level of technical equipment and access to the Internet improved. NGOs typically have necessary office equipment, but it is often obsolete. NGOs have few opportunities for upgrades and purchases of new software.



The availability and quality of financial resources strongly affects the institutional development of NGOs. With few exceptions, NGOs do not develop strategic plans and have no resources for institutional development. Their main focus is survival. Frequently NGOs

accept any potential project, sometimes at the cost of their mission and strategic goals, in order to survive financially.

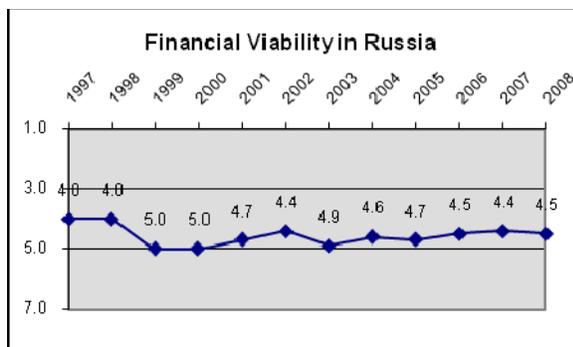
Employees with experience in NGO management increasingly leave NGOs because of poor salaries. Jobs in the third sector no longer offer strong career potential, and professionals are leaving NGOs to find better paying jobs in business or government. Only leading NGOs manage to retain a core group of employees. NGO accounting and reporting activities have improved somewhat as regulators such as the FRS, the Ministry of Justice and the Federal Tax Service have strengthened their reporting requirements. Still, studies show that even NGOs themselves evaluate as poor NGO transparency and openness.

NGOs' efforts to build constituencies are ad hoc and targeted mostly at local issues. Initiative groups and informal community networks have recently been more successful than NGOs in building constituencies.

FINANCIAL VIABILITY: 4.5

While financial resources of the NGO sector did not grow over the last year, NGO funding sources have changed. The share of funding from regional and federal budgets has increased substantially. For example, Novgorod and

Leningrad Oblasts included support to NGOs as a separate budget line for the first time. The federal government allocated 1.5 billion rubles (\$55 million) in the 2008 budget for NGO projects.



The increase in government funding does not cover NGO needs, however. Tenders for government contracts require a deposit that is often impossible even for larger NGOs to make. Government funds are usually provided at the end of a year for a short period, are typically for low-cost projects and rarely exceed \$5,000. In addition, government funds support only a very limited range of activities. Many NGOs simply cannot meet the narrow criteria.

Many organizations have realized the need to diversify sources of funding, but only a handful of them have managed to do so. Some NGOs have begun proactively developing more volunteer projects. NGOs also receive nonfinancial assistance from local businesses that provide free goods and services. It is difficult, however, for NGOs to implement full-fledged projects or strengthen their institutional development by relying mostly on nonfinancial resources.

NGOs are trying to develop private donations as a source of funding but only a few have been successful. These include recently established foundations that focus on addressing acute social

ADVOCACY: 4.1

The trend toward strengthening the state's influence over the NGO sector became more visible in the form of mechanisms and institutions that fit NGOs into the governmental power structure. On the federal level this process is controlled by the Public Chamber as well as public councils at ministries and agencies. Similar institutions exist at the

problems, such as providing urgent surgeries for seriously ill children.

International donors are gradually wrapping up their programs, partly because of the growing financial restrictions on their work in the Russian Federation. Domestic sources of funding for NGOs now exceed foreign funding. According to the Russian Donors' Forum, the aggregate charitable expenditure of Russian and international companies operating in Russia amounted to \$493 million in 2008. Of this amount, ten companies accounted for \$485 million. Several new foundations were established under the patronage of large companies or their owners. These include the Russian Railways Fund for Social Assistance to Children "Spread the Wings," the Fund for the Development of Social Entrepreneurship "Our Future" founded by the president of LUKOIL, and the foundation "Evolution and Philanthropy" founded by the owner of the financial corporation URALSIB. In general, however, NGOs typically lose out to corporate philanthropy programs run by large businesses that raise private donations for their projects.

Many NGOs have strong professional capacity, particularly in educational services, social technologies and consulting. Some part-time NGO employees combine their work at NGOs with work in the business sector. This is often the only way the organization can survive and retain core staff. The number of NGOs that re-registered as nonprofit partnerships or autonomous nonprofit organizations, legal forms that offer broader opportunities for profit-earning activities, increased significantly over the past year.

regional level and act as platforms for interaction between government and NGOs.

An expert group that includes NGO representatives was established at the federal level and managed to achieve progress in discussions with the FRS to make necessary amendments to the Tax Code. NGOs contributed to the drafting and passage of some

laws, such as the federal Law on Custody and Guardianship, which regulates child welfare. The new Fund for Support of Children in Difficult Situations has been proactively involving NGOs in consultations to develop its strategy and prioritize its activities. NGOs also took part in drafting the government concept for the development of philanthropy.

NGOs are only allowed to participate in the discussion of laws that are of interest for the state, which typically are limited to social services laws. The authorities prefer to invite experts from the NGO sector and avoid collaboration with larger groups of NGOs that are capable of advocating their own interests and those of the public.

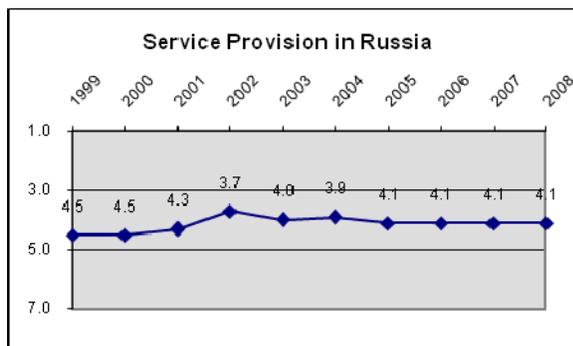
Authorities use NGOs as a tool for public support of government initiatives in the social



sphere. In many areas that are not priorities of the state, such as homelessness and family violence, NGOs find it difficult to operate and to advocate for policy change. Human rights organizations that express views different from those of the authorities face difficulties conveying their message to the public because they do not have access to major media outlets.

SERVICE PROVISION: 4.1

Provision of social services to the public has not yet become a well-established NGO activity. Although NGOs provide a wide range of services, they often lack scope and capacity to address the public's needs for social services.



The state has formally recognized NGOs as players in the market for social services. However, neither the government nor the public perceive NGOs as service providers. Most NGOs do not study the needs of their beneficiaries and as a result respond poorly to these needs. NGO services tend to be of mediocre quality and are generally not in high demand. NGOs are not prepared to charge fees for services and often do not calculate the cost of

service provision. The authorities often refund NGOs' costs in non-cash form, such as by providing premises and equipment rather than covering NGO staff salaries.

Amendments to the Budget Code allow NGOs to receive government budget allocations. Now NGOs are on a level playing field with other market participants, such as municipal institutions, for-profit organizations and entrepreneurs. Regional and municipal governments can now subsidize social services that are included in the state register and that NGOs provide to their target groups. NGOs are still unprepared for competition in the services market, however.

Existing financial mechanisms do not facilitate the development of service provision by NGOs. The 2008 amendment to the Budget Code introduced a provision according to which an organization that has signed a contract with the government receives 30 percent of the funds as a down payment and the remaining 70 percent only after submitting a performance report. It is difficult for most NGOs to meet such conditions because they are limited to using their existing financing for a specific purpose. In most cases

NGOs are restricted to providing services for which they obtain targeted financing.

Today a larger number of social services require standardization and licensing, but only a small number of NGOs meet these requirements. These are mostly organizations that have been established in such legal forms as nonprofit partnerships, autonomous nonprofit

organizations, or nongovernmental institutions whose chartered activities include fee-based services. While such organizations are socially oriented, they are proactively engaged in business operations and offer affordable prices for high-demand public services such as care of the elderly and teaching children with special needs. Other NGOs are still cut out of most social service delivery.

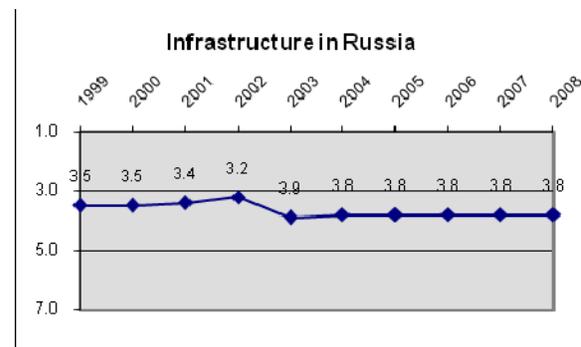
INFRASTRUCTURE: 3.8

Resource centers for NGOs exist in almost every region, but the quality of their services strongly depends on sufficient funding. Large cities where sustainable, strong resource centers operate have a surplus of training services. The situation is different in remote regions that still have a high demand for trainings in various aspects of NGO activities. There is also a need to train new staff that enters the sector. Even when training is free for NGOs, small or remote NGOs are often unable to cover travel and accommodation costs.

A recent trend is the establishment by municipal governments of resource centers for NGOs. This process has been particularly evident in the Novosibirsk Oblast where municipal resource centers provide the full scope of necessary technical services to NGOs. In Samara, municipal institutions such as the youth center, the people's friendship center and the veterans' center have begun acting as resource centers that supply technical assistance, consultations and training services. Often municipal resource centers are guided by state priorities for the NGO sector, however.

The NGO sector has been weakened by the lack of independent funding institutions. The development of community foundations has slowed down in comparison to previous years.

The role of NGO coalitions that join efforts to address common concerns is now played by expert working groups. Examples include the group of experts that lobbied for changes to the Tax Code, as well as a group of NGO representatives whose recommendations formed the basis of the concept for a government foundation supporting at-risk children. From time to time either NGOs or the government establish expert groups that are fairly proactive in addressing issues that affect the NGO sector as a whole.

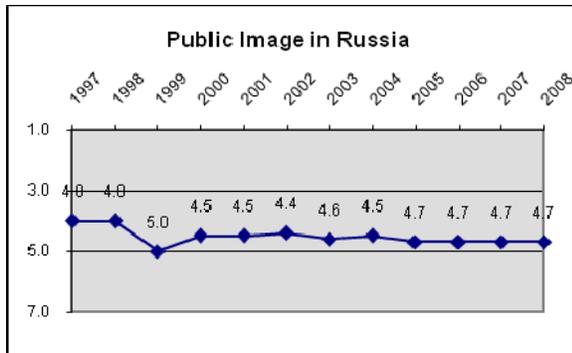


The Internet is also making a strong impact on the development of infrastructure. It has provided NGOs with greater access to relevant information, promoted active dialogue within professional circles and created additional opportunities for outreach to target groups.

PUBLIC IMAGE: 4.7

In the spring of 2008, a Moscow-based think tank, CIRKON, conducted a survey, *Public Support of NGOs in the Russian Regions*:

Problems and Prospects. It showed that the vast majority (76 percent) of citizens 23–45 years old were positive about civil society



organizations and various public and charitable activities. However, only one in three respondents had heard about NGOs, and only 18 percent were able to name one particular organization. On average, more than half of total respondents (from 44 percent in Kaliningrad to 68 percent in Barnaul) said they would like to know more about NGOs.

Because of social and economic hardships, people simply do not have enough time or resources to take part in the work of NGOs as members or volunteers. On the other hand, NGOs themselves often fail to make the effort to advertise their work and provide public access to information about their activities. NGOs that have PR managers who have regular contacts

with journalists account for only a small part of the NGO sector. Few organizations publish annual performance reports. A lack of professionalism on the part of NGOs is sometimes the reason for this, but the root of the problem is that nonprofits do not have the money for outreach to external audiences.

Recent coverage of NGOs in the national and regional media is increasingly favorable. Socially responsible businesses recognize NGOs as important intermediaries in implementing projects. At the same time, businesses point out that NGOs lack professionalism and should perform better if they are to become equal partners. The government's approach is historically negative to some NGOs, such as human rights groups, but authorities draw on the experience of a fairly large number of NGOs in consultations to resolve current social concerns.

NGOs developed an ethical code to outline the principles that should govern NGOs' work, but these principles are not self-regulated in the NGO community. Although the ethical code has not brought about any major changes, it might become the foundation for further self-regulation of NGOs' activities in the future.