

RUSSIA



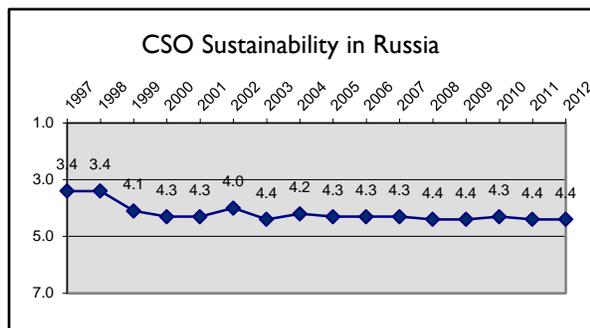
Capital: Moscow

Population: 142,500,482

GDP per capita (PPP): \$17,700

Human Development Index: 55

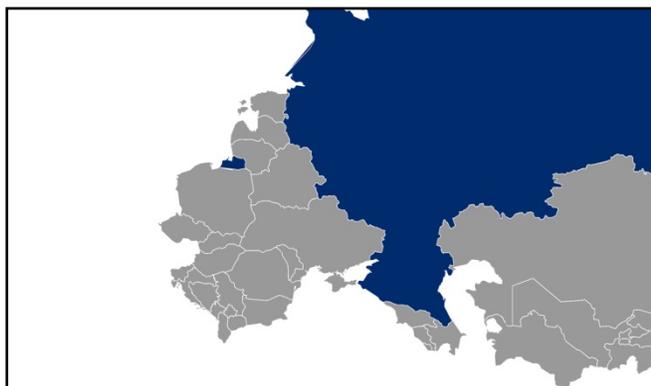
CSO SUSTAINABILITY: 4.4



In response to increased protests in Russia surrounding the election process and human rights violations, the government passed a number of legislative initiatives affecting civil society during 2012. Several of these – including the Law on Meetings, a regulation on the Internet, and the reintroduction of an article in the Criminal Code on defamation – have worsened the situation for human rights advocates and democracy promotion activists.

In addition, the government took several actions that limited the ability of CSOs to receive foreign funding. In late 2012, the government notified USAID and UNICEF that they had to end their programs. The government also passed the Law on Foreign Agents, requiring all non-commercial organizations (NCOs) involved in political activities and receiving foreign funding to register with the Ministry of Justice (MOJ) before they can receive funding from any foreign sources. Despite substantial protests, the legislation passed and came into effect in November. Human rights organizations, which rely heavily on foreign funding, were among the first impacted by the law.

At the same time, the government embarked on several initiatives to strengthen the sector. Budget provisions for socially oriented non-commercial organizations (SO NCOs) increased at the federal, regional, and local levels. In addition, the government introduced tax benefits

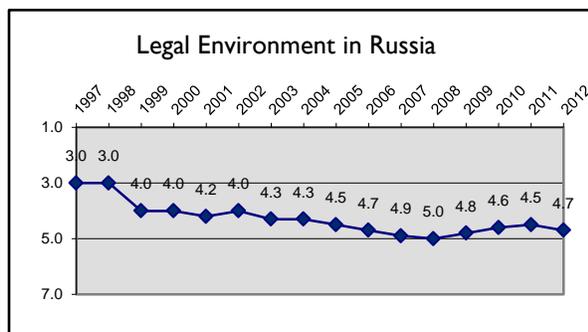


for individual donors.

Civic activism increased in 2012, mainly in the capital and other large cities, in response to political and social events, such as the tragic flooding over the summer in Krymsk and allegations of election violations, including stuffing ballot boxes and preventing election observers from entering polling stations.

According to the MOJ, as of October 2012, there were 398,202 domestic CSOs and 317 branches and representative offices of foreign CSOs registered in Russia. This number includes political parties (2,138), social and state social associations (777), Notary Public's chambers (85), state corporations (7), and other organizations not traditionally considered CSOs. In addition, some experts estimate that about one-fourth of all registered CSOs are consumer cooperatives, membership-based associations based on ownership of shares. It is estimated that no more than 40 percent of registered CSOs are active. Approximately 10 percent of CSOs are human rights organizations, with the remaining 90 percent focusing largely on the provision of social services.

LEGAL ENVIRONMENT: 4.7



The overall legal environment for CSOs in Russia deteriorated in 2012, although there were also some positive developments.

The government introduced a number of restrictive laws during the year. The Law on Foreign Agents requires CSOs that engage in political activities, such as actions to influence public opinion and public policy, and receive foreign funding to register as “foreign agents.” The law is expected to have an extremely detrimental impact on many organizations, particularly

human rights groups and regional resource centers that rely primarily on foreign funding.

In June 2012, the government increased the fines 150-fold for individuals and 300-fold for organizations that violate rules on participation in and organization of public protests. In July, defamation was reintroduced as a criminal offence, with fines on media outlets of up to two million rubles (approximately \$61,000) for publishing “defamatory” statements. Also in July, changes were introduced to the Law on Information, Information Technologies, and Information Protection that increased Internet censorship and curbed the freedom of expression. On October 23, 2012, amendments to the Criminal Code were adopted, making the definition of treason so broad and vague that it allows the government to brand any inconvenient figure as a traitor.

On December 28, 2012, the President signed the Law on Measures Affecting Persons Related to Violation of Basic Human Rights and Freedoms, Rights and Freedoms of the Citizens of the Russian Federation (sometimes called the Dima Yakovlev Law or Anti-Magnitsky Law). The law restricts the activities of CSOs by prohibiting organizations that receive monetary or other assets from any US citizen or organization from participating in political activity in Russia, as well as prohibiting CSOs from engaging in activities that are deemed to constitute a threat to Russia's interests. In addition, dual US-Russian citizens cannot be members or managers of such Russian CSOs or “structural units” (for example, branch offices) of international or foreign CSOs operating in Russia. In addition, US citizens who violate human rights and/or the rights and freedoms of Russian citizens cannot enter Russia or possess property in Russia. The law also prohibits US citizens from adopting Russian children.

On the positive side, more favorable provisions in the tax code for individual donors came into force on January 1, 2012. Individuals can now deduct from their taxable incomes charitable contributions to a broad variety of CSOs, including registered charities, SO NCOs, and religious organizations, as well as contributions

to CSOs' endowments. The maximum deduction cannot exceed 25 percent of taxable income. CSOs also are now permitted to use securities and real estate to build their endowments tax-free. In addition, the Ministry for Economic Development (MED) drafted legislation that would allow companies to deduct donations to charities from their taxable incomes.

In March, the MOJ adopted regulations to simplify registration for CSOs, but no significant changes were seen in practice. While registration officials generally operate within the framework of the law, monitoring by Lawyers for Civil Society indicates that the process is lengthy, particularly in more remote regions, often taking over six months, which is significantly longer than allowed for by law. In addition, implementation of the law is uneven as government officials often have sole discretion over which organizations to register.

Amnesty International expressed concern about the persecution of human rights activists and organizations in 2012. For example, the offices of Memorial, the Social Movement for Human Rights, and the Moscow Helsinki Group were vandalized during the year. In addition, several environmental activists and organizations were the targets of prosecutions, such as a criminal case against Ecological Watch for damaging an illegal fence built around the summer residence of the governor of Krasnodar. An investigation into the severe assault of another environmentalist continues.

CSOs are allowed to earn income from the provision of goods and services, although the income is taxable.

CSOs have increased their knowledge of various aspects of CSO law. Several organizations, including Lawyers for Civil Society, Pro Bono Legal Services (Public Interest Law Institute), and the Center for NGO Development, provide legal services to CSOs throughout the country. In addition, online services such as lawcs.ru, law-ngo.ru, portal-nko.ru, and crno.ru are being developed to provide free legal and tax information.

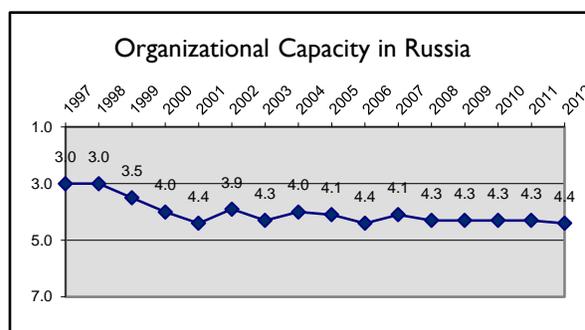
ORGANIZATIONAL CAPACITY: 4.4

While large CSOs in Moscow and Saint Petersburg actively seek public support, CSOs in more remote areas are more likely to rely on the support of family and friends. Foundations focused on children's medical treatment, such as Life Line and Gift of Life, have proven most successful in attracting public support, particularly in the form of donations.

Volunteerism increased this year. CSOs recruit volunteers to help with web development, capacity building, and consulting. At the Donors' Forum conference in October, discussions focused on how to cultivate relationships with new informal volunteer associations.

Some CSOs began to use social media more actively this year. For example, information about this year's Soulful Bazaar initiative, a New Year charitable fair that unites over forty CSOs, was largely circulated through social media. The 2012 Bazaar generated 2,839,113 rubles (about \$91,000), 600,000 rubles (about \$19,000) more than in 2011.

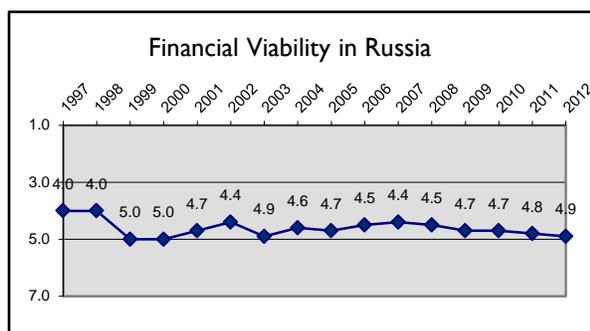
Only a few CSOs, predominantly in capital cities, utilize strategic planning. CSOs also continue to struggle with internal management. Many CSOs are run by a single person or a group of individuals and do not have formal management structures. According to a national survey ordered by the MED and conducted by LLC Vsekontakty in all federal districts in 2012, 36 percent of SO NCOs do not have full-time staff. Most SO NCOs can only afford a few staff members - 19 percent employ one or two people, 21 percent employ three to five, and 13 percent employ six to ten. Only 11 percent of SO NCOs have between eleven and thirty staff members, and 3 percent have over thirty-one employees.



Few CSOs develop job descriptions and even fewer have salary and human resources policies. The only human resources instrument that CSOs use is labor agreements. Large CSOs can afford lawyers and information technology specialists, while almost all CSOs use professional accounting services.

Almost all CSOs can readily access computers. The majority of CSOs also have Internet access, but the quality of Internet connections is lower in more remote regions.

FINANCIAL VIABILITY: 4.9



The financial viability of CSOs decreased in 2012. Corporate philanthropy has stagnated. At the same time, state funding for state-run healthcare and education institutions was cut, increasing competition for private donations. Only a few large CSOs have fully mastered fundraising techniques aimed at individual donors. The decrease in foreign funding and the legislation on foreign agents did not significantly impact CSOs in 2012 as they were introduced at the end of the year.

According to MED's survey, 39 percent of SO NCOs collect membership fees, 33 percent receive donations from Russian citizens, and 30 percent receive donations from Russian businesses. Seventeen percent are subsidized from regional budgets, 11 percent from municipal budgets, and 7 percent from the federal budget. Only 4 percent of Russian organizations indicated foreign organizations as a source of funding, and only 1 percent receive donations from foreign individuals. Most CSOs receiving foreign funding work in spheres such as HIV/AIDS prevention and adult disability, as well as human rights and democracy promotion. These CSOs face difficulties raising funds locally for their causes.

CSOs had increased access to funds on the federal, regional, and local levels in 2012. The MED allocated a total of 300 million rubles (approximately \$9.9 million) to SO NCOs for various purposes in 2012, including 162 million rubles (approximately \$5.4 million) in subsidies to SO NCOs on a competitive basis and another 100 million rubles (approximately \$3.3 million) for CSO staff training and development. The selection process for these funds continued to be transparent.

Presidential grants were distributed at the end of October. Although the amounts granted were similar to 2011, the competition was far from transparent. Religious and patriotic groups established before the election to unite Vladimir Putin's supporters, such as the All-Russian People's Front, received the majority of the funding. Grants were also given to organizations that openly criticized election monitoring, including the Foundation for Free Elections, the Election Law Institute, and Putin's corps of election monitors, For Clean Elections, all of which are headed by former government officials or affiliates. Several well-known human rights organizations, such as the Moscow Helsinki Group, For Human Rights, and the Leonid Nikitinsky Center for Legal Programs, also received funding.

Despite significant efforts, many CSOs still do not have diverse funding sources. According to a study by the Institute for Civil Society Studies at the Higher School of Economic (HSE), only 51 percent of surveyed SO NCOs had more than one funding source.

According to the MED survey on SO NCOs, 17 percent of organizations obtain income from the sale of goods and services. However, society expects CSO services to be free, so compensation is below the fair market price. Many CSO do not have the capacity to account for donations and entrepreneurial income separately, as required.

CSO transparency and financial management did not change significantly in 2012. Financial audits have been obligatory since 2008 for CSOs registered as charitable foundations.

ADVOCACY: 4.1

CSOs actively advocated for their interests during the year, but these efforts were less successful than in previous years. Most notably, CSOs failed to stop the introduction of legislation harmful to the sector, such as the Law on Foreign Agents.

CSOs have mechanisms for consultation with the government on the federal and regional levels. However, this interaction is not systematic and depends largely on the interest of individual officials. Representatives of the Department for Strategic

Management and Budgeting of the MED, for example, actively cooperate with CSOs to promote tax incentives for corporate donors, while similar communication with the Ministry of Finance does not exist.

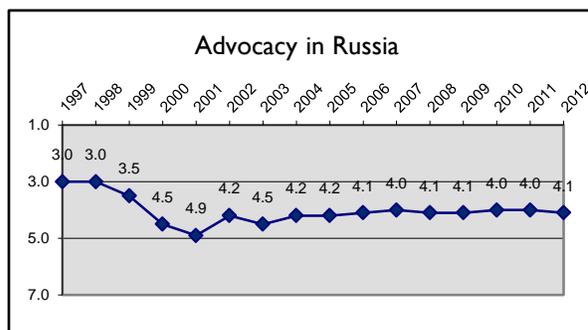
In 2012, the Open Government, initiated by former President Medvedev, was established to create a formal consultation mechanism between the state and CSOs. Although the Open Government and the MED jointly expressed their intent to develop a Roadmap to regulate this interaction, the initiative has not progressed notably thus far.

The government has established Public Chambers (PCs) at the federal and regional levels to coordinate civic initiatives. CSOs actively lobby their interests through the Federal PC. For example, the Federal PC played a prominent role in promoting tax incentives for CSOs. Regional public chambers, on the other hand, rarely include CSO input in their decision making.

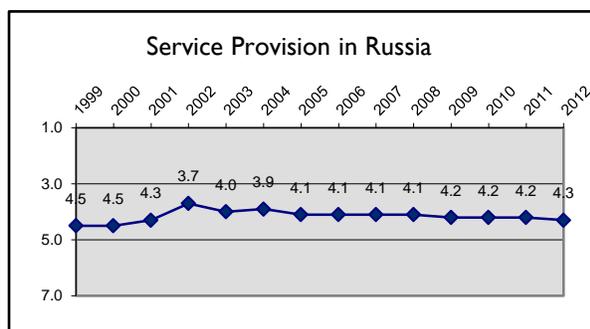
Government officials also established many public councils this year to discuss various issues. For example, Vice Prime Minister Golodets established a Board of Trustees that included representatives of CSOs involved in social policy issues. Board members participate in the discussion of policies and laws, monitor the activities of state social institutions, and propose relevant draft legislation. Despite these initiatives, there is no convincing evidence that the councils have enabled civil society to directly influence the legislative process.

CSOs were prompted to establish new coalitions in 2012 in response to unfavorable legal developments. Although the Law on Foreign Agents sparked a collective protest among CSOs, the legislation passed in July 2012. A coalition of CSOs also engaged in debate over the draft legislation on the Basics of Social Service; discussion on this bill was ongoing at the end of the year.

Lawyers for Civil Society sporadically advocates for reforms to improve the legal environment governing the sector. However, the sector has yet to display a common vision and strategy beyond increasing state funding for the sector.



SERVICE PROVISION: 4.3



According to the HSE research, the greatest percentage of SO NCOs provide services for children, with 27 percent organizing children's clubs, teams, and studios and 21 percent identifying children in need of guardianship. Twenty-one percent of SO NCOs provide psychological services; 20 percent provide legal services; 16 percent provide social rehabilitation services; 13 percent provide pedagogical services; 13 percent provide socioeconomic services; and 10

percent provide social case management services.

CSOs generally do not provide services on issues related to migration, HIV/AIDS, and addiction. Very few domestic CSOs are involved in environmental protection; the CSOs that engage in these issues are primarily international. Similarly, a small number of CSOs are involved in advocacy or the promotion of rights and opportunities for indigenous people. In addition, very few CSOs engage on issues relating to economic development, though some charitable organizations started implementing social entrepreneurship initiatives such as charity shops, souvenirs, and paid events to promote their goals. Although the demand for CSO services remains high in fields such as services for the homeless, these causes do not garner support from donors or the government.

CSOs have begun to provide services for public health issues and diseases, such as brittle bone syndrome, epidermolysis bullosa, cystic fibrosis, and grave liver diseases. CSOs have also begun to provide services for the elderly. The Enjoyable Aging Charitable Foundation became one of the most successful public fundraisers on the website Blago.ru, raising about 1 million rubles (approximately \$33,000) thanks to an impressive public relations campaign. CSOs providing palliative care also attracted some attention. Some CSOs provided assistance to victims of the Krymsk floods this year.

CSOs respond to urgent community demands, but do not understand the underlying needs and do not engage in strategic planning when designing activities. Communities still have insufficient information about CSO services.

Very few CSOs are in a position to offer their expertise to the government or scientific institutions. Some community foundations, such as those in Kaliningrad and Samara, offer services to regional governments.

Some CSOs collect revenues from the sale of goods and services, but the public generally expects CSO services to be free. The law allows CSOs to participate in tenders, but few take advantage of these opportunities.

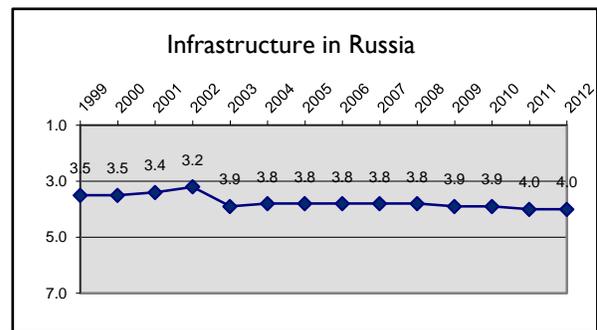
INFRASTRUCTURE: 4.0

The number of organizations and resource centers supporting CSOs in Russia did not increase substantially in 2012. In some regions, Public Chambers, community foundations, large CSOs, or CSO coalitions serve as resource centers.

Very few local grantmaking organizations exist in Russia. There are currently around fifty community foundations (CFs), including a new foundation that was established in Kostroma in 2012. Community foundations accumulated more resources this year.

The Privolzhsky CF Alliance developed a joint project to strengthen regional endowments. The North-West CF Alliance conducted research to evaluate social wellbeing in communities, and the Perm CF Alliance published a research report on the opportunities and resources of rural territories. CFs also strengthened their roles as experts and collaborated more closely with local communities. CFs in Tyumen, Perm, Kaliningrad, and Samara provided expertise in local governance. However, neither local businesses nor government authorities generally welcome such partnership.

Large, experienced foundations help new organizations and share their experiences. For example, the spokesperson of Gift of Life foundation participated in the promotion campaign for Galtchonok foundation.

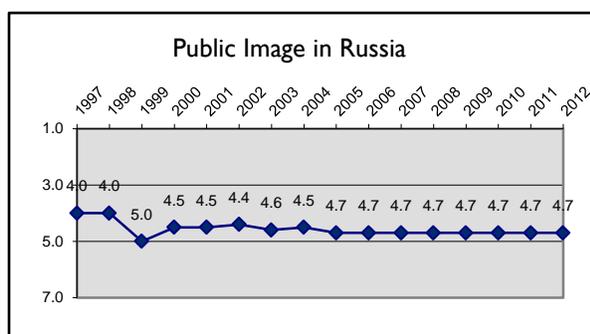


Both the state and CSOs attempted to professionalize the sector in 2012. A group of fundraisers established the Association of Russian Fundraisers in 2012. Several prominent educational programs for CSOs were organized this year, including a large-scale advanced training program for CSO staff by the MED and the HSE, a financial literacy project of the Center for Development of NGOs (CDNO), and a financial sustainability seminar organized by Charities Aid Foundation (CAF) Russia.

CSOs actively establish coalitions and participate in networks. Three charitable foundations that had not previously cooperated – United Way, Life Line, and Reach for Change – organized a charitable running race in Gorky Park in September 2012.

Local businesses, the media, and government authorities occasionally work with CSOs, providing legal, economic, and other consultations. For example, the Karelian Resource Center in Petrozavodsk cooperates on municipal development issues, such as ensuring accessibility for persons with disabilities.

PUBLIC IMAGE: 4.7



Media attention to CSOs increased dramatically this year as a result of CSOs' campaign against the Law on Foreign Agents and the Dima Yakovlev Law. Many print and electronic periodicals actively discussed these issues and supported CSOs' positions. The media also paid significant attention to CSO-led volunteer efforts in the aftermath of the Krymsk floods. Few CSOs were involved in the public protests surrounding the elections, and the media did not extensively cover their involvement, except when human rights organizations were prosecuted.

Philanthropy is gaining more prominence, as public figures and celebrities have started associating themselves with charities or philanthropic events. The media has become increasingly focused on fundraising events including auctions, marathons, balls, exhibitions, and fashion shows. According to media analysis by the Donors' Forum, the media mentioned philanthropy, charity, and volunteering twice as often as it did in 2011. In particular, the media is interested in the philanthropic activities of large businesses. Notably, Forbes introduced a section on charitable and philanthropic activities in its profiles of the top 100 businessmen in the country.

Despite these developments, public understanding of CSO activities has not improved significantly. While CSOs in the capital and other large cities have loyal bases of volunteers, people in remote regions know little about charities. Certain foundations, such as Life Line, increased their recognition and support in 2012 by carrying out successful regional fundraising campaigns through collection boxes placed in local retail shops.

Local and central authorities have mixed perceptions of CSOs. While CSOs cooperate with certain ministries and officials, cooperation with other government bodies is absent. Businesses also have mixed perceptions. Some companies consider certain CSOs experts and some develop corporate philanthropy and social responsibility programs, while other companies have no desire to cooperate with CSOs.

CSOs still do not widely publish annual reports. According to the MED survey of SO NCOs, 54 percent of responding organizations published reports on activities. The Public Chamber Committee on Charity and Volunteer Work, in partnership with the Russian Donors' Forum, the Non-profit Organization Development Center of Saint Petersburg, and the Agency for Social Information (ASI), organize Reference Point, an annual contest for public reports. While participation rose by more than 30 percent in 2012, there were still only 147 entrants in this year's contest.