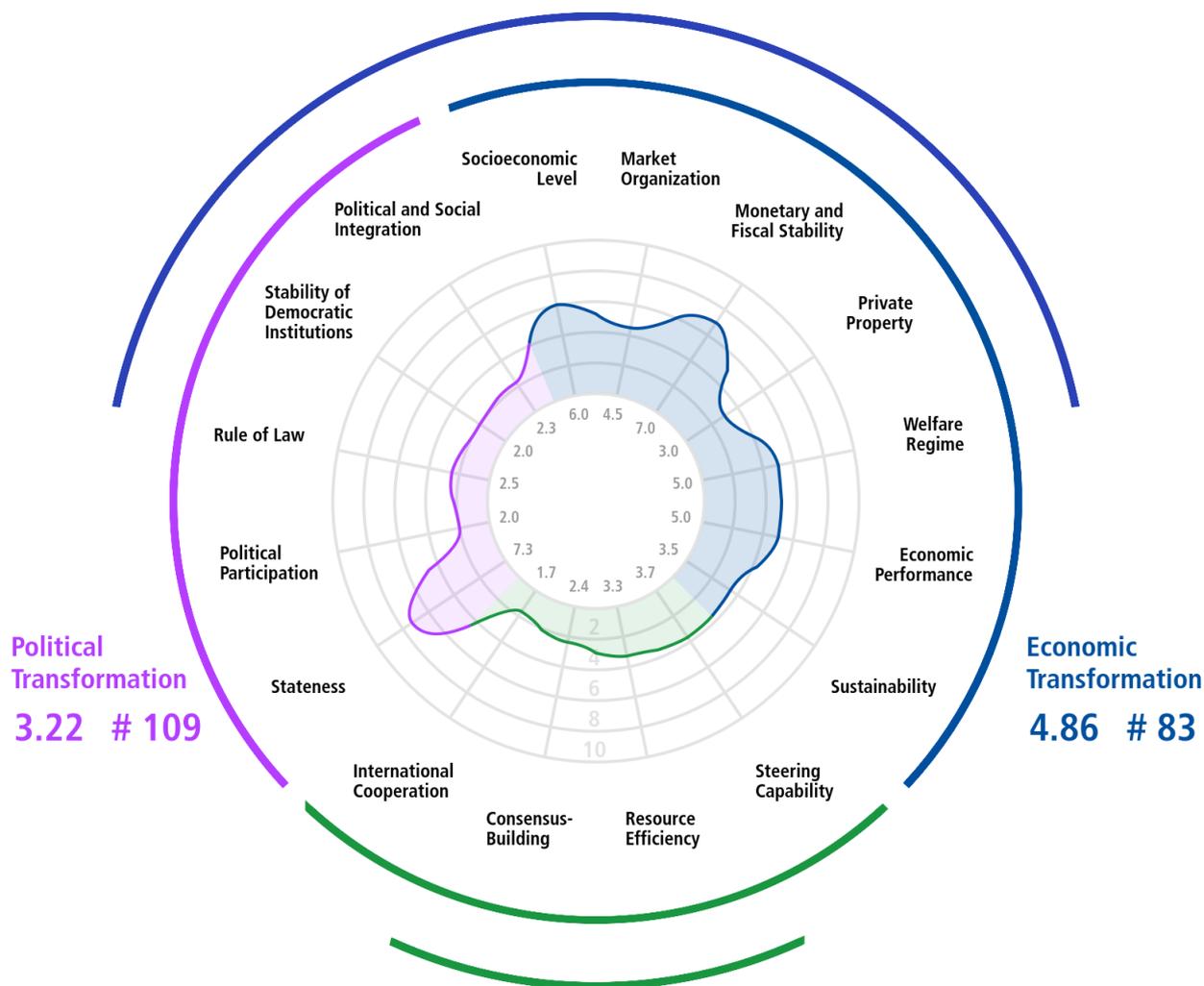


Russia

Status Index

4.04 # 102

on 1-10 scale out of 137



Political Transformation
3.22 # 109

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4.86 # 83

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on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	143.5	HDI	0.832	GDP p.c., PPP \$	47405
Pop. growth ¹	% p.a.	-0.2	HDI rank of 193	64	Gini Index	33.0
Life expectancy	years	73.3	UN Education Index	0.780	Poverty ³	% 0.4
Urban population	%	75.5	Gender inequality ²	0.169	Aid per capita \$	-

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Over the past two decades, Russia's political regime has developed into a personalized, consolidated autocracy that is closely linked to President Vladimir Putin.

Domestically, this regime is characterized by:

- the president and his inner circle make all strategic decisions with no accountability to the legislative or judicial branches of power.
- the exceptional role played by the presidential administration, also known as the Presidential Executive Office of Russia, in determining the national agenda in both domestic and foreign policy;
- a prominent decision-making role for the "siloviki" (representatives of security agencies and the Ministry of Interior);
- the excessive political centralization of the relationship between Moscow and the regions, and the dominance of vertical over horizontal decision-making.

There are severe restrictions on political competition and pluralism, widespread human rights violations and increasingly stringent controls on media and internet freedoms. Civil society organizations operate under strict political oversight. The regime eliminates opponents through politically motivated killings, as evidenced by the deaths of opposition leader Alexei Navalny in 2024 and Yevgeny Prigozhin, the former leader of the Wagner Group, a militia working as a proxy of the Ministry of Defense, in 2023.

In both domestic and foreign policy, the regime actively restricts opportunities for Western cooperation in the fields of trade, economic cooperation, institution-building and democracy promotion, while cultivating an image of Russia as a fortress besieged by enemies – primarily the United States (up until Donald Trump’s re-election), the European Union and Great Britain.

Many Russians – both among the elite and within the broader population – firmly believe that their country, as the world’s largest by territory, is entitled to great power status and should not be constrained by any restrictions imposed from abroad. They have long maintained that the European Union and the United States have disregarded Russia’s national security interests and its special interests in the post-Soviet space. These priorities, regarded by the Russian leadership as vital and ostensibly endorsed by much of the population, take precedence over the imperatives of economic modernization and social development. Since 2014, the Kremlin has pursued its own vision of national greatness through the subjugation – and, in the case of Ukraine, possible destruction – of neighboring sovereignty in order to enhance Russia’s geopolitical standing.

The full-scale invasion of Ukraine in 2022 further consolidated President Vladimir Putin’s system of personal rule. Officially termed a “special military operation,” the war has been endorsed by both houses of parliament, all parliamentary parties and, according to state-aligned polling, a majority of the country’s population. The state harshly suppresses sporadic protests against the war while officially branding dissenting views as betrayals of national interests. In response to Russia’s full-scale aggression against Ukraine, Western countries have imposed unprecedented sanctions on Russia, targeting its financial system, key economic sectors, individual decision-makers and supporters of the regime. Uncertainties remain about the current state of the Russian economy and the regime’s capacity to both sustain and potentially escalate its military operations in Ukraine. However, Russia is not totally isolated, as it continues to maintain close relations with fellow BRICS members and a range of countries in the Global South.

History and Characteristics of Transformation

Following the collapse of the Soviet Union, Russia emerged as an independent state but required political and economic transformation. Elites were divided between Yeltsin’s Democrats and Supreme Soviet Conservatives. The 1992 Federal Treaty prevented territorial disintegration, while the 1993 constitution established a strong executive branch after the violent dissolution of parliament.

Under Boris Yeltsin, Russia’s transition to a market economy brought hyperinflation, economic hardship and the rise of oligarchs who wielded vast political influence. In 1999, amid rising oil prices, Yeltsin appointed Vladimir Putin as prime minister and designated him as successor. Putin maintained voter support through his first two terms (2000 – 2008) and subsequent elections in 2012, 2018 and 2024, with ever-increasing vote shares against a backdrop of escalating repression and electoral fraud.

Putin prioritized stability through a “strong state” over democratic principles, restricting press freedoms and NGOs while committing human rights violations in Chechnya. While his early years featured liberal economic reforms, his second term saw the reassertion of state control over “strategic” sectors – often serving the enrichment of loyal elites. High oil prices fueled robust economic growth until 2008, though corruption hampered socioeconomic development.

Respecting the presidential two-term limit, Putin handpicked Dmitry Medvedev as his successor, assuming the role of prime minister while effectively retaining power. Medvedev’s presidency saw modernization efforts, including a “reset” with the United States, a new START agreement and increased political freedoms. However, their pre-announced role swap and the rigged elections of 2011 – 2012 triggered urban protests, which the Kremlin countered with intensified anti-Western propaganda portraying Russia as under external threat.

Upon returning to the presidency, Putin deepened authoritarian control. Constitutional amendments adopted in 2020 reset presidential term limits, allowing him to potentially remain in power until 2036. The amendments were ratified through a nationwide vote despite criticism of procedural irregularities. This fundamental alteration of Russia’s constitutional framework cemented Putin’s personal rule and eliminated meaningful term limits.

Foreign policy successes have become instruments of domestic consolidation, particularly in relation to Ukraine, culminating in the 2014 annexation of Crimea and the 2022 full-scale military aggression. Despite international condemnation, these actions bolstered Putin’s domestic popularity, with approval ratings regularly approaching 80%. This high level of support has persisted even amid economic difficulties. Public dissent remains rare, with critics either detained or emigrated.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state maintains a monopoly on the use of force across its territory, with the exception of a small and gradually shrinking area in the Kursk region that came under Ukrainian control in the summer of 2024. Following the 2022 mobilization, the state has shifted to a more systematic approach of contract-based military recruitment to wage the war against Ukraine. Regular recruitment campaigns and ever-increasing salary offers have become common, particularly targeting economically disadvantaged regions. The state has also introduced stricter controls on movement for men of military age and enhanced digital surveillance of potential recruits.

Following the June 2023 Wagner rebellion and the subsequent killing of its leader Yevgeny Prigozhin, the landscape of private military companies has shifted significantly. While Wagner's operations have been largely absorbed by the Russian Ministry of Defense, new militia-type military units like Redut and Convoy have emerged, operating under closer state control. These groups maintain a significant presence in Africa – indicatively labeled Afrika Corps – continuing Russia's strategy of military influence through private contractors.

Chechnya's special status has been further consolidated under Ramzan Kadyrov, who has strengthened his position through active support of the war effort in Ukraine by sending Chechen troops. Kadyrov's forces have gained additional autonomy in their operations while maintaining personal loyalty to Putin.

The legitimacy of the Russian state has faced new challenges, including increased activity by anti-government Russian military formations fighting alongside Ukraine, most notably the "Freedom of Russia Legion" and the "Russian Volunteer Corps." Within Russia, unrest has grown in ethnic republics, particularly in response to military mobilization policies that disproportionately affect minority regions.

Question
Score

Monopoly on the
use of force

8



1

The legitimacy of the Russian nation-state within its internationally recognized borders remains largely uncontested among its populace, with most Russians accepting and supporting the state as a legitimate entity.

There is one notable exception, as certain groups within ethnic republics in the North Caucasus have consistently expressed uneasiness about governance by the Russian federal state. Also, allegiance to Moscow in the four Ukrainian regions annexed by Russia in 2022 remains questionable.

Surveys suggest that public support for the annexation of Ukrainian territories has remained relatively steady over time.

In October 2024, a Levada Center poll indicated that 76% of respondents backed the Russian armed forces' activities, with 45% expressing definite support and 31% expressing partial support, while 15% did not support these actions.

In terms of citizenship and naturalization, Russian law does not deny access based on race, ethnicity, national origin, religion, gender or political beliefs. Applicants for naturalization are generally required to have five years of permanent residence, demonstrate proficiency in the Russian language and pass tests on Russian history and law (except for those ready to join the armed forces).

The Russian state is constitutionally secular and features a formal separation of church and state. However, the Russian Orthodox Church (ROC) exerts considerable influence over legal and political institutions. This influence has intensified since 2022, as the government has increasingly emphasized "traditional values" as a core component of its ideology, a tendency that continued in 2024.

The Kremlin has used traditional Orthodox and so-called family values to shape a new ideological identity, which has gained prominence, especially in the context of the war in Ukraine. Government officials often express their religious preferences accordingly and openly. The ROC frequently intervenes in cultural and political matters and has actively supported the invasion, aligning itself with state objectives and influencing public opinion.

In 2024, the ROC's support for the war became even more unequivocal and radical, with representatives justifying Russia's aggressive policy and suppressing any internal criticism. This involvement confirms that the ROC is not only an integral part of the Russian political establishment but also a significant instrument in Russia's hybrid warfare against the West.

The country's law on religion recognizes Christianity, Islam, Judaism and Buddhism as the four traditional religions, with a special role attributed to the ROC. The government provides the ROC with tax exemptions and access to state resources and financially supports the construction of new churches, the restoration of religious historical sites and the production of religious literature. Additionally, the ROC is involved in shaping religious education curricula in schools.

State identity

9



1

No interference of religious dogmas

6



1

The administrative structure of the Russian state is designed to provide basic public services across the entire country. However, significant deficiencies persist in its operation. Key issues include an inefficient bureaucracy exacerbated by corruption, inadequate funding – particularly at the regional level – and a highly hierarchical system that slows responsiveness.

According to the World Bank’s 2020 report – the most recent comprehensive pre-war dataset – 100% of Russia’s population had access to electricity, but more than 11 million lacked clean drinking water. More recent data is sparse, but a January 2025 analysis from the Polish Centre for Eastern Studies (OSW) suggests that 88.6% of Russians had access to high-quality drinking water in 2024, though this varies drastically by region – for example, only 8% in Kalmykia have such access, with three-quarters of water systems failing sanitary norms. By comparison, the World Bank noted that globally, 97.1% had access to a basic water source and 76.2% to safely managed water. Rosstat reported in 2020 that about a third of Russia’s 144 million people relied on water with high lead content, and in Moscow, more than 56% of water sources failed safety standards.

Electricity access remains universal, but the quality of other public services has deteriorated. According to an OSW report, as of 2024, heat losses between production and consumption reach around 60%, which is three times higher than Finland’s 20%. Sanitation challenges also persist: only 61% of the population has access to safely managed sanitation, according to World Bank data from 2020. Russia’s aging Soviet-era sewerage systems continue to lag behind, particularly in rural areas. By 2025, reports indicate that more than 70% of municipal infrastructure – including water, heating and sewage networks – is in critical condition.

The winter of 2023/2024 further exposed these vulnerabilities, as widespread central heating failures left thousands without heat in subzero temperatures, particularly in regions such as Moscow Oblast (31.5% heating network decay) and North Ossetia (57% decay). In early 2024, President Putin announced a 4.5 trillion ruble (\$44 billion) modernization program to improve utility services for 20 million Russians by 2030, claiming annual investments of 900 billion rubles would suffice. However, with defense spending projected at 17.4 trillion rubles in 2025 – nearly 40% of the budget – experts doubt the program’s feasibility amid war-related resource strain.

Government initiatives such as the “Modernization of the transport system of Russia” and the “National Project ‘Ecology’” (launched in 2020 to address water and sanitation) are ongoing, but progress remains slow. The OSW notes that by December 2024, only 1,300 km of the planned 17,500 km of utility networks had been modernized, far short of the 5% annual replacement rate needed to avert collapse.

Basic
administration

6



1

2 | Political Participation

The electoral system in Russia is deliberately designed to maintain the dominance of the ruling party. Authorities frequently change electoral laws and the timing of elections to benefit their preferred candidates. The Kremlin actively blocks efforts to form new, independent political parties and restricts opposition politicians from registering as candidates for public office, accessing media outlets and conducting political campaigns.

The Russian Federation thus operates as a one-party system. Although, by the end of 2024, eight parties nominally held seats in the State Duma, only one – United Russia – truly dominates. The remaining parties act as “systemic opposition,” managed by the Kremlin to appeal to specific segments of the electorate without challenging the status quo. All parliamentary parties and their members supported the war against Ukraine. The war has further curtailed opportunities for dissent, with anyone publicly opposing it facing immediate criminal prosecution.

Ahead of the 2024 presidential election, the electoral system was further modified. New restrictions on candidate registration and limitations on election monitoring created additional barriers to opposition participation. The legal framework now includes stricter requirements, particularly targeting “foreign influence” or the expression of support for “discrediting the armed forces.” Independent election observation – whether by Movement for Defence of Voters’ Rights (GOLOS) or the OSCE’s ODIHR – was absent.

The 2024 presidential election thus underscored the total absence of genuine political alternatives, with all registered candidates endorsing the official stance on the war. The only relatively independent candidate, Boris Nadezhdin, was ultimately prevented from running, although he managed to collect the necessary number of voters’ signatures (according to his account, 200,000, twice as many as required). The same pattern of political control extended to the regional level in 2023/2024, where Kremlin-backed candidates consistently secured overwhelming victories.

No law can be passed without prior approval from the Kremlin. The dominant party United Russia holds a supermajority of seats in parliament, and the other parties represented there, often referred to as the “systemic opposition,” largely align with the official stance. The same holds true for the Federation Council – the upper house of parliament – whose members are hand-picked by the Kremlin.

Regional governance became even more centralized and subordinated to Kremlin control in 2023 – 2024. Governors’ performance is evaluated primarily on their ability to maintain social stability and deliver desired electoral results. The system for replacing governors has been refined, with the Kremlin frequently rotating regional leaders to prevent the formation of independent power bases.

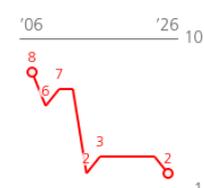
Free and fair elections

2



Effective power to govern

2



During the reporting period, the space for political opposition has completely disappeared. The implementation of increasingly strict laws against “discrediting the armed forces” has effectively criminalized all forms of political dissent. Opposition politicians face longer prison sentences, with new laws allowing those who criticize the war to be charged with treason.

The Russian constitution guarantees the freedoms of association and assembly. However, in practice, these rights are significantly curtailed, with restrictions having greatly intensified since the onset of the war against Ukraine. Residents and civic groups critical of government policies are effectively prohibited from exercising these freedoms. The government employs intimidation, harassment and threats of criminal prosecution to deter citizens from engaging in association and assembly. Arbitrary arrests and detentions of peaceful demonstrators are commonplace, often accompanied by excessive force.

Since 2012, non-governmental organizations (NGOs) engaged in “political” activities that receive foreign funding must register as “foreign agents.” Authorities can designate NGOs as “foreign agents” without their consent, subjecting these organizations to heightened state scrutiny and significantly impeding their ability to operate effectively. In April 2022, all German political foundations were compelled to cease their activities and were effectively expelled from Russia.

In 2024, the Russian government enacted additional repressive laws that further restrict freedom of expression, association and peaceful assembly. These laws impose state-enforced historical, social and political narratives in public life, dismantling civic freedoms and suppressing internal dissent. Despite these challenges, some Russian citizens continue to resist through discreet and cautious means, striving to uphold civil and electoral rights, support political prisoners and foster public consciousness and democratic values.

Since 2024, the Russian government’s suppression of freedoms of expression, association and assembly has intensified. Authorities have expanded the use of the designations “foreign agent” and “undesirable organization,” further stifling civil society and independent media. The crackdown on dissent has resulted in a significant increase in legal actions against individuals expressing anti-war sentiments. By 2024, more than 10,000 administrative charges had been filed against people who criticized Russia’s war against Ukraine. Additionally, 522 people faced criminal prosecution under laws targeting “false information” or “discreditation” of the Russian armed forces, with 146 convictions since October 2023 and 120 individuals still imprisoned.

The media-freedom environment has deteriorated further. In March 2024, Russian authorities arrested six journalists from independent outlets, including Antonina Favorskaya of Sota.Vision, who had documented Alexei Navalny’s final moments. In April 2024, journalists Konstantin Gabov and Sergey Karelin, both of whom had contributed to international media such as Deutsche Welle, were detained on charges of extremism. Forbes Russia journalist Sergey Mingazov was also arrested in April 2024 for allegedly spreading false information about the Russian military.

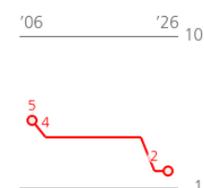
Association /
assembly rights

2



Freedom of
expression

2



The spiraling repression since the open war against Ukraine has led to a mass exodus of media professionals; by early 2023, at least 1,000 Russian journalists had fled the country. The international community has expressed deep concern over these developments.

3 | Rule of Law

In practice, there is no separation of powers. The president is effectively not held accountable to either the legislative or judicial branch. The presidential administration exercises control over the government, federal parliament, regional governors and mayors of major cities, as well as major courts.

Unlike the Soviet system's resource-intensive comprehensive control through party structures and ideological oversight, Putin's regime operates through a relatively small apparatus centered on the presidential administration. With only 1,500 – 2,000 personnel, the system relies on strategic intervention rather than continuous monitoring. This fire alarm principle of oversight allows the regime to maintain control while using fewer resources than the Soviet system required. The efficiency of this limited control apparatus is significantly amplified by the fact that regional governors are not merely agents but stakeholders in the regime, with vested interests in maintaining the non-democratic system.

The Russian constitution guarantees judicial independence. However, in practice, this principle is significantly compromised by undue government influence, pervasive corruption and politically motivated trials. Courts frequently act under directives from the executive branch at the national and regional level. In 2023, Russian courts convicted a record 589,011 defendants, with an acquittal rate of just 0.25%, meaning that for every acquittal judges issued 400 guilty verdicts. The Constitutional Court of Russia consistently rules in favor of the executive, with pressure intensifying in cases of high political significance.

Judges of the Constitutional Court, Supreme Court and Supreme Arbitration Court are appointed by the Federation Council upon nomination by the president. The president appoints other federal judges based on recommendations from the judicial collegium, while district court judges are appointed directly by the president. The quality of legal education is generally low, especially outside major cities like Moscow and St. Petersburg, and the system is considered riddled with corruption.

The 2020 constitutional reform explicitly established the primacy of national constitutional norms over international law. Following the invasion of Ukraine, Russia further distanced itself from international organizations that compelled it to abide by international law. In 2024, the Russian government continued to suppress dissent through the judicial system. Notably, in 2024, three lawyers associated with the late opposition leader Alexei Navalny were convicted and sentenced to prison on charges of involvement with extremist groups.

Separation of powers

2

'06 '26 10



Independent judiciary

3

'06 '26 10



Despite Russia's comprehensive legal framework, anti-corruption enforcement remains highly inconsistent. Numerous reports of government corruption surfaced in 2021 and 2022, yet the government largely failed to take adequate measures to identify, investigate, prosecute or punish most officials involved in corrupt activities, creating an atmosphere of impunity.

Most anti-corruption efforts remained superficial, with the Russian state neglecting to address the root causes of corruption. This is unsurprising given growing evidence of widespread corruption networks linked to the highest levels of the country's leadership. Consequently, instances of corruption among the political elite have surfaced only to settle power struggles and political disputes.

In 2024, the Russian government launched a series of high-profile anti-corruption investigations within the military. Notably, former Deputy Defense Minister Dmitry Bulgakov was arrested on corruption charges in July 2024. This arrest was part of a broader crackdown that included the detention of at least ten generals and Ministry of Defense officials on charges of fraud and corruption. These actions occurred in conjunction with the dismissal of Sergei Shoigu as defense minister – only to be appointed secretary of the Security Council. Analysts suggest these moves aim to dismantle entrenched corruption networks within the military and assert control over the defense establishment.

In 2024, civil rights in Russia continued to be systematically violated, with no effective mechanisms or institutions to protect residents. The state and state-affiliated businesses engaged in widespread violations of various civil rights, including freedoms of speech, religion, press and assembly, as well as the right to a fair trial. Discrimination based on gender, race, ethnicity, religion and political preference remained pervasive.

The government intensified its crackdown on dissent, enacting repressive legislation that severely restricted the freedoms of expression, peaceful assembly and association. Authorities adopted and enforced new laws, issued punitively long prison sentences for peaceful anti-war speech and forcibly closed several prominent human rights groups. The space for civil society and independent media has further eroded, with the government imposing state-enforced narratives in public life since 2022.

The LGBTQ+ community has faced heightened persecution following the Supreme Court's decision in November 2023 to designate the (nonexistent) "international LGBT movement" as "extremist." This ruling led to the first known extremism convictions in early 2024, with individuals prosecuted for displaying rainbow symbols. There was an increase in police raids on gay clubs and incidents of self-censorship.

Ethnic and religious minorities continued to face discrimination. Torture and other ill-treatment in detention remain widespread and largely go unpunished. Trials are unfair, especially in political cases and cases involving Ukrainian prisoners of war.

Prosecution of office abuse

3

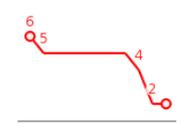
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Civil rights

2

'06 _____ '26 10



4 | Stability of Democratic Institutions

Democratic institutions are formally in place. Russian authorities have adopted many constitutional provisions and institutions that are hallmarks of democratic governance. In practice, however, these institutions function as a façade intended to conceal the dominance of informal institutions and authoritarian practices within the regime.

The constitution and electoral rules may guarantee free and fair elections, but these regulations are supplemented by a mix of non-democratic procedures and informal practices such as campaign restrictions and electoral fraud. These tactics make election outcomes predictable and safe for the incumbent regime.

The war against Ukraine has further reduced opportunities for the opposition to challenge the regime, with individuals who express any public opposition to the war immediately facing criminal charges. Of critical importance is the lack of political competition among parties, as the landscape is overwhelmingly dominated by the “party of power,” United Russia. A passive society and a weakened civil society, struggling under excessive state control, are further factors in the diminished performance of democratic institutions.

Nonetheless, the political system has exhibited a high degree of stability, albeit at the expense of democratic institutions. The war in Ukraine required the maintenance of political stability, and regional governors often bore the blame for unpopular decisions delegated by Moscow.

In Russia, the presidency dominates the political landscape, overshadowing all other institutions and creating a highly centralized, unbalanced system lacking democratic checks and balances. This concentration of power impedes any evolution toward genuine democratic institutional practices. The political environment offers little space for actors or groups with the commitment or incentives to uphold democratic rules to emerge. The presidential administration operates with minimal institutional constraints. Public trust remains disproportionately invested in the presidency, while other institutions – such as the legislature, judiciary and political parties – face widespread skepticism. This skepticism stems from their perceived subordination to executive authority.

As of February 2025, President Vladimir Putin’s approval rating remains exceptionally high at 86%, according to the Levada Center. In stark contrast, trust in other institutions is strikingly low. A December 2024 Levada survey shows confidence in the State Duma at just 25%, down from 29% in 2021 – a decline fueled by perceptions of its lack of autonomy from the Kremlin. The judiciary fares even worse, with only 21% of Russians expressing trust in December 2024, down from 24% in 2021 – underscoring its reputation as an extension of executive will rather than an impartial arbiter.

Performance of democratic institutions

2

'06 '26 10



Commitment to democratic institutions

2

'06 '26 10



Political parties, too, struggle to gain legitimacy or traction as independent players. According to a December 2024 Levada survey, trust in political parties has fallen to 29% compared to 34% in 2021. While dominant, even the ruling United Russia party saw its support among decided voters drop to 43% in October 2024 from 58% in May 2024. Opposition parties like the Communist Party and the Liberal Democratic Party of Russia (LDPR), each polling around 12%, offer little genuine counterbalance as their alignment with Kremlin policies erodes their credibility as alternatives.

5 | Political and Social Integration

A genuine party system capable of effectively articulating and representing political and societal interests does not exist in Russia. The political landscape is dominated by the ruling party, United Russia, which maintains a firm grip on power. Although multiple parties are nominally represented in the State Duma, the federal parliament, they function only as quasi-independent bodies directed by the Kremlin to give the impression of pluralism. Notably, all parliamentary parties and their members supported President Vladimir Putin’s decision to launch the open war against Ukraine in 2022.

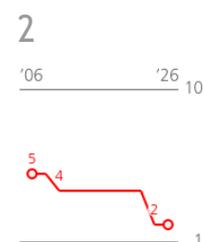
Furthermore, United Russia holds majorities in all but four regional parliaments. The Kremlin primarily evaluates regional governors based on their ability to deliver the desired election results, reinforcing centralized control over the political process.

In the 2024 presidential election, Vladimir Putin was “re-elected” with 88% of the vote, the highest percentage recorded in a presidential election in post-Soviet Russia. This overwhelming “victory” underscores the dominance of the ruling cartel and the challenges faced by any semblance of opposition in the current political environment. The electoral framework and political practices are structured to maintain the dominance of United Russia, limiting genuine political pluralism and competition.

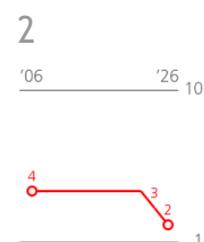
In 2024, the landscape of interest groups remained notably limited, with crucial social interests often under-represented – a situation that has further deteriorated since the beginning of the war in February 2022. Only a handful of groups wield influence, primarily lobbyist organizations that advocate for business interests.

Trade unions and non-governmental organizations (NGOs) continued to face significant challenges. NGOs focusing on social issues and charitable activities have managed to continue their operations, often receiving “presidential grants” from the authorities. However, these grants are typically extended to NGOs and business associations aligned with the government agenda. Labor unions are usually very close to the state and do not have the political weight to represent the rights of their members – they are part of the state apparatus.

Party system



Interest groups



The Russian Union of Industrialists and Entrepreneurs (RSPP) stands out as an influential economic lobby group that actively engages with the state. However, it does not effectively represent broader societal interests. Following Russia's invasion of Ukraine, several RSPP members became subject to Western sanctions, prompting some to retire or leave the country.

The Russian Orthodox Church (ROC) plays a distinctive and pivotal role in supporting officialdom, despite the constitutional separation of church and state. The church continued in 2023 – 2024 to support the state's narratives, particularly regarding the ongoing war in Ukraine. Representatives of the ROC wholeheartedly support the war and justify Russia's aggressive policy since the beginning of the invasion of Ukraine. Among the clergy, very few voices have criticized the invasion.

Public approval of democracy and its associated norms and procedures remains generally low in Russia. Society tends to perceive the current political regime as a democracy. Yet when questioned about specific democratic principles – such as free elections, governmental accountability and civil rights – most people do not consider these elements essential. There appears to be a passive acceptance of the existing rudimentary democratic norms, not least because of the well-known consequences of open criticism.

Public approval of democracy as the best form of government is moderate and apparently declining. According to a Levada poll in January 2025, only 23% of Russians agreed that “democracy is the best system for Russia,” a drop from 28% in 2020, reflecting disillusionment with Western-style liberal democracy amid years of propaganda framing it as chaotic and foreign-imposed. Conversely, support for a “strong hand” ruler remains robust: the same January 2025 survey showed 62% of respondents favoring “a strong leader who can make decisions without parliamentary interference,” up from 57% in 2021.

Overall, according to data from the Levada Center, about 10% of the population are confident supporters of democracy, the rule of law and human rights. Conversely, about a quarter of the population openly oppose Western-style liberal democracy, often favoring models that emphasize a strong government with flexible state institutions not constrained by public influence. Trust in democratic institutions such as parliament, political parties or the press remains minimal. Among younger individuals aged 14 to 29, support for democratic principles is slightly higher.

Approval of
democracy

n/a

'06 _____ '26 10



_____ n/a 1

During the reporting period, the level of trust among the Russian population remained low, with the ongoing war in Ukraine further exacerbating this situation. However, comprehensive and reliable data assessing the full impact of the war on societal trust are still lacking. The government's actions and rhetoric have contributed to an atmosphere of suspicion and caution among the populace, hindering the formation of cohesive, self-organized groups and weakening the social fabric.

A monitoring study by the Russian Public Opinion Research Center (VCIOM) found that young people are less likely than the older generation to trust others. A large majority of those aged 18 to 34 believe that people should be cautious when interacting with others, with 88% of those aged 18 to 24 and 83% of those aged 25 to 34 expressing this view. In comparison, only 12% of respondents aged 18 to 24 and 13% of those aged 25 to 34 think that most people can be trusted. Older Russians, particularly those aged 60 and above, are more likely to say they tend to trust others, with 32% expressing trust and 65% emphasizing caution.

In November 2022, Putin signed a decree titled “On Approval of the Fundamentals of State Policy to Preserve and Strengthen Russia’s Traditional Spiritual and Moral Values.” The decree aims to shield Russia from “sociocultural threats” and allocates state budget funds to bolster “traditional” values, which are defined by the state rather than society.

Social capital

3

'06 '26 10



1

II. Economic Transformation

6 | Level of Socioeconomic Development

Russia's socioeconomic landscape reveals a complex interplay of varying living standards and stark inequality, underpinned by systemic and gendered disparities. The general standard of living, as measured by the UNDP Human Development Report 2023/2024 (released March 13, 2024), places Russia's Human Development Index (HDI) at 0.82 for 2022, ranking it 56th globally within the “very high human development” category. This reflects robust access to education (99% literacy), health care (life expectancy of 73.1 years in 2022) and universal electricity coverage. However, a January 2025 Rosstat update suggests stagnation, with preliminary 2024 HDI estimates holding at 0.82 – 0.83, as war-related economic pressures offset gains.

Significant cities such as Moscow and St. Petersburg have development levels comparable to middle-income European countries – with modern infrastructure and median incomes of \$1,200–\$1,500 monthly – while rural regions, particularly in the North Caucasus, lag with limited services and average incomes of \$200–\$300 monthly.

Question
ScoreSocioeconomic
barriers

6

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Income and wealth inequality remains a defining barrier. Russia ranks among the world's most unequal nations, with the richest 1% owning more than 70% of private assets, according to Credit Suisse's 2021 Global Wealth Report – a figure unchanged in recent estimates due to data scarcity after 2022. A Levada Center survey from November 2024 found that two-thirds of Russians earn less than \$415 monthly, while the top 10% average more than \$3,000, a gap widened by the war economy.

Since 2022, defense-sector wages have surged 30 – 60% due to labor shortages, and contracted soldiers' payments rose to \$2,000 – \$3,000 monthly by late 2024, per state decrees. Conversely, public sector salaries and pensions – now \$150 – \$200 monthly after 2024 indexation – lag behind an inflation rate perceived at 20 – 25% (official figures claim 8.5%), per a December 2024 VTsIOM poll. Regional disparities exacerbate this, with financial transfers since the 2010s failing to bridge gaps; Moscow's per capita income is five times that of Ingushetia, per Rosstat 2024.

In 2024, Russia's official poverty rate continued its reported decline, falling to 8.5% from 9.3% in 2023, according to Rosstat's updated methodology. This translates to 13.3 million people living below the poverty line in 2024, down from 13.5 million in 2023 and 14.3 million in 2022. The state attributes this drop to increased social payments – such as 1 million ruble bonuses for military recruits and expanded child benefits – alongside a 15% wage surge in defense-related sectors. However, independent analysts challenge these figures, estimating that by late 2024, the true number of people in poverty ranged from 14.6 million to 18 million, or up to 12.5% of the population, citing under-reported rural hardship and inflation's 10% spike eroding purchasing power.

Women, who make up 54% of the workforce (Rosstat, 2024), face a persistent gender pay gap of 27.5% (unchanged since 2020), with average monthly earnings at \$350 for women compared to \$485 for men. Single mothers, accounting for 5.1 million households (Rosstat, 2023), are disproportionately poor, with 40% living below the poverty line due to limited childcare support and low alimony enforcement. In rural areas, women's access to employment is restricted by traditional roles and infrastructure deficits. Meanwhile, urban sectors dominated by women, such as education, saw only 5 – 10% wage growth in 2024, far below that of defense industries.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	1829186.7	2291612.1	2071505.7	2173835.8
GDP growth	%	5.9	-1.4	4.1	4.3
Inflation (CPI)	%	6.7	-	-	-
Unemployment	%	4.7	3.9	3.1	2.5
Foreign direct investment	% of GDP	2.2	-1.7	-0.5	-0.4
Export growth	%	3.3	-13.9	-	-
Import growth	%	19.1	-15.0	-	-
Current account balance	\$ M	124953.0	237734.8	49396.5	63167.1
Public debt	% of GDP	16.5	18.5	19.5	20.3
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	1.2	1.5	3.3	-
Tax revenue	% of GDP	11.7	10.8	12.1	-
Government consumption	% of GDP	17.3	17.1	18.0	18.6
Public education spending	% of GDP	4.0	4.1	4.2	-
Public health spending	% of GDP	4.9	4.9	-	-
R&D expenditure	% of GDP	1.0	0.9	-	-
Military expenditure	% of GDP	3.6	4.7	5.9	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market competition in Russia continues to operate within a weak institutional framework, imposing uneven rules on participants. Informal practices and the influence of well-connected actors significantly affect the economic environment.

The shadow economy remains a challenge in Russia, with significant regional variations. Moscow and St. Petersburg have much lower informal employment rates, at 3.0% and 6.7% respectively, while in the North Caucasus regions, including the republics of Ingushetia, Dagestan and Chechnya, the informal employment rate reaches around 50%. According to Rosstat, in the third quarter of 2024, the number of people employed in the informal sector reached 15.837 million, or 21.3% of total employment (based on average monthly figures for July, August and September) – the highest level since 2016. This marks a notable increase from the 17.2% informal employment rate reported by the ILO for 2023, suggesting a rise of over 4 percentage points in just over a year.

Since the beginning of the war, the trend toward a growing role of state bureaucracy in the economy has intensified, particularly after the adoption of federal laws requiring enterprises to fulfill state contracts. In 2023 – 25, the government seized assets from companies considered strategically important, including a leading grain trader and a major airport, further disadvantaging private and foreign investors. In 2024, the government considered imposing a ban on gasoline exports by major producers to stabilize domestic prices.

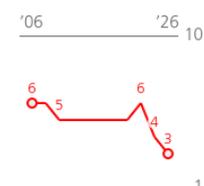
Since 2022, the government has also suppressed intellectual property rights held by Western entities. In response to sanctions, authorities have allowed the unauthorized use of patents, trademarks and copyrights from “unfriendly countries” without the consent of rights holders.

Russia has competition laws in place to prevent monopolistic practices and structures, but they are not consistently enforced. These regulations are primarily based on the constitution, the Civil Code of the Russian Federation and the Federal Law of July 26, 2006, titled “On Protection of Competition.” The Federal Anti-Monopoly Service (FAS) is the main authority responsible for safeguarding competition and ensuring competitive neutrality. While the FAS is technically an independent agency, many voices question its ability to operate free from political influence in Russia.

Many sectors of the economy, especially those considered critical to national security, remain protected from competitive pressures and have been integrated into sector-specific conglomerates. At the same time, the Anti-Monopoly Service has effectively addressed competition issues in liberalized sectors of the economy, although its effectiveness is somewhat diminished at the regional level, where some administrations have hindered competition. Nonetheless, the agency conducts numerous investigations each year into abuses of dominant market power and cartel formation.

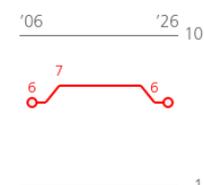
Market organization

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Competition policy

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In October 2024, a Russian court imposed an unprecedented fine on Google, amounting to 2 undecillion rubles (a 2 followed by 36 zeroes, approximately \$20 decillion), due to the company’s refusal to restore YouTube accounts of pro-Kremlin and state-run media outlets. This fine resulted from daily penalties that began in 2020, starting at 100,000 rubles and doubling each week, which led to this astronomical sum. The Kremlin acknowledged the symbolic nature of the fine, stating that it was “filled with symbolism.”

Russia’s foreign trade functions under formal nondiscrimination principles but is significantly shaped by state interventions, special regulations, tariffs, non-tariff barriers and international sanctions. The country’s integration into the global market has become increasingly selective.

In the 2021 Competitiveness Report by the Institute for Management Development (IMD), Russia ranked 45th out of 65 countries. According to the WTO, Russia’s average applied most-favored-nation tariff in 2023 was 6.6%, higher than the global trade-weighted average of 3.7% in 2021, reflecting a relatively restrictive stance that complements these policies. While this tariff applies to imports from WTO members like the U.S. and EU, its effect is overshadowed by sanctions and counter-sanctions, which severely limit trade with these nations.

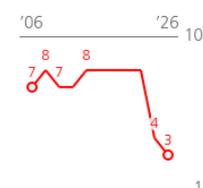
Western nations imposed economic sanctions, prompting Russian authorities to enact counter-sanctions targeting “unfriendly” countries, including the United States and the European Union. The Russian government often claims sanctions promote import substitution and revitalize domestic production – a core tenet of its industrial policy. Alongside non-tariff measures, explicit import substitution policies have expanded from government procurement to state-owned enterprises and private companies.

The scope of sanctions has expanded since the war began. Major Russian banks such as VTB and Sberbank were disconnected from the SWIFT payment system, while MasterCard and Visa suspended operations in Russia. The Russian MIR card faced reciprocal suspensions abroad, including in Eurasian Economic Union (EAEU) states. The assets of the Russian Central Bank and numerous individuals, including politicians, were frozen, and bans were imposed on the sale, delivery or transfer of aircraft, spare parts, equipment, software and electronics to Russia.

Despite these challenges, in 2024, exports grew by 0.5% to reach \$278 billion (down from \$492 billion in 2021), with Russian suppliers focusing on Asia, Africa and CIS countries. Imports from China reached \$115 billion, followed by India at \$70 billion and Belarus at \$25 billion. Within the Eurasian Economic Union (EAEU) – comprising Armenia, Belarus, Kazakhstan and Kyrgyzstan – standard tariffs and many trade barriers are eliminated, boosting intra-union trade.

Liberalization of
foreign trade

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The Russian banking system and capital markets are structured to align with international standards; however, adequate supervision remains a challenge, making the financial system vulnerable to abrupt disruptions and capital flow reversals. The sector is underdeveloped and operates inefficiently as a financial intermediary, with state-owned banks maintaining dominance. Cooperation with banks in the European Union and the United States is almost nonexistent.

The number of banks in Russia has declined over the years. In December 2014, 842 banks were operating in the country. As of January 1, 2025, Russia had 314 operating banks and 39 nonbank financial institutions. By the end of 2024, the number of banks with foreign participation decreased to 85 – a 10-year low. The decline is attributed to increasing pressure from foreign regulators on parent companies amid sanctions, prompting them to cease operations in Russia.

According to official figures, in 2024 Russian banks achieved a net profit of 3.4 trillion RUB, marking a 15.2% increase compared to 2023. According to the central bank's review, during the same period household savings in banks increased by a record RUB 11.8 trillion, or 26%. As of January 1, 2025, household savings balances in banks reached RUB 57.5 trillion. The central bank attributes this significant growth to increased household incomes and high deposit rates.

Asset quality has also reportedly improved, with the share of non-performing loans (NPLs) decreasing to 3.8% in 2024, down from 5.5% in 2022 and a high of 9.7% in 2018, according to World Bank and central bank data. Meanwhile, the capital-to-asset ratio remained robust, estimated at 6.8% – 7.0% in 2024, slightly up from 6.7% in 2022, reflecting resilience despite rapid asset growth.

8 | Monetary and fiscal stability

Monetary stability has been an important and widely shared economic policy objective. Although the monetary authority is theoretically independent, it is not completely insulated from the demands and uncertainties of the autocratic regime, as became evident after the war began and its detrimental impact on Russia's economy.

According to the U.S. Federal Reserve, the real effective exchange rate of the ruble was 95.8 (Index 2020: 100) in December 2024. By early 2025, the dollar's value hovered around RUB 100 per dollar. The relative stability was made possible by the central bank's draconian measures, including a rapid increase in the bank interest rate from 9.5% to 20% shortly after the invasion to prevent a bank run. As of December 2024, after a series of rate cuts in 2022/2023, Russia's key interest rate was back up to 21%. This was the highest rate on record, surpassing the 20% rate set in response to the ruble's crash in 2022.

Banking system

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Monetary stability

8



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Average mortgage rates offered by banks are 23%, according to an index of more than 100 lenders maintained by Banki.ru, with some lenders offering rates as high as 31%. However, 70% of all mortgage loans are issued at subsidized rates, according to central bank data.

In 2021, the World Bank reported that Russia's average consumer price index inflation was 6.7%. By January 2023, the country's inflation rate had risen to nearly 12% year over year. In 2024, the inflation rate was 9.5%, the fourth highest rate in the past 15 years and well above the central bank's target of 4%. However, while these are the officially recorded rates, CPI estimates are considerably higher – up to 20% annually.

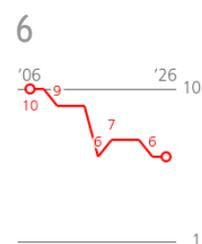
The government's budgetary policies generally promote fiscal stability but lack institutional safeguards, making them susceptible to ad hoc policy changes. Until 2022, Russia mostly followed an austerity policy, resulting in budget surpluses and the accumulation of substantial reserves. The foundation of this apparent fiscal stability is an exceptional convergence of several factors: high hydrocarbon export revenues, a surprisingly strict market-oriented economic structure, an equally robust banking system, highly centralized governance and a notable absence of public consensus requirements.

Before Russia invaded Ukraine, the government had set a target of achieving a state budget surplus of 1% of GDP for 2022. However, the budget deficit eventually reached RUB 3.3 trillion, equivalent to 2.3% of GDP, according to the finance minister. This move into negative territory toward the end of 2022 can be attributed to declining revenues from energy exports and the financial strain of the Ukraine war on state finances. Public debt in Russia averaged 15.4% of GDP in the decade prior to 2022 and 18.9% of GDP in 2022. For 2024, Russia officially reported a debt-to-GDP ratio of 19.9% – around \$400 billion.

The Russian National Wealth Fund (NWF) has experienced significant fluctuations in its value over recent years. Established in 2008 with an initial allocation of \$32 billion, its assets have varied due to factors such as oil prices, economic policies and geopolitical events. Before the war, as of January 1, 2022, the fund's volume was approximately \$174.9 billion. By January 1, 2023, it had declined to \$155.3 billion and by December 2024 to \$116.8 billion. These changes reflect the NWF's role in stabilizing the Russian economy amid external shocks and internal fiscal challenges.

Contrary to initial projections, in the budget for 2025, military expenditures will reach more than 8% of GDP and about 40% of all federal spending. To make ends meet, starting in 2025, the authorities will launch the largest tax reform in decades – a progressive income tax scale will be implemented and the business profit tax will also increase. According to Ministry of Finance calculations, this will bring an additional RUB 2.6 trillion to the treasury.

Fiscal stability



9 | Private Property

Property rights and the regulation of property acquisition are defined by law in Russia, with legal provisions in place except for the sale of farmland. However, these provisions are inconsistently enforced and inadequately protected, particularly against interference from government entities, influential bureaucrats or well-connected business figures. This situation has worsened significantly during the reporting period – as evidenced by Russia’s decline in the International Property Rights Index – dropping from 81st out of 129 countries in 2021 to 85th in 2022 and further to 103rd out of 125 in 2024, reflecting heightened risks to ownership security.

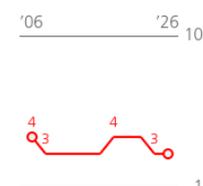
Prominent cases include the seizure of Makfa, Russia’s largest pasta manufacturer, and KR Properties, a real estate firm, often justified by revisiting 1990s privatizations or alleging misconduct, with assets redistributed to Kremlin allies. President Putin’s Decree No. 442 (May 23, 2024) further enabled the seizure of U.S.-owned assets as retaliation for Western sanctions, with pending legislation in 2025 set to broaden this to all “unfriendly” states – signaling a systematic erosion of property rights across industries. Despite repeated promises to privatize state assets, no meaningful progress has occurred.

Since 2022, foreign companies from “unfriendly” countries seeking to exit the Russian market have required approval from top authorities, a process tightened in 2024. Firms now face forced sales at steep discounts – often 50% below market value – to state-approved buyers, with proceeds frequently frozen in restricted accounts, limiting repatriation. High-profile examples in 2024 include the finalized sales of Danone and Carlsberg assets to Kremlin-friendly entities at reduced rates following their 2023 nationalization. Additionally, draft laws reported in February 2025 aim to confiscate frozen funds of foreign investors, further deterring exits. Shareholder rights from such countries remain suspended.

Certain property rights, notably copyrights and intellectual property, continue to be routinely disregarded. A March 6, 2022, decree set a 0% license fee for patent owners from “unfriendly” countries like the United States and EU, effectively legalizing their use without compensation. Another 2022 decree permitted Russian firms to import goods without brand owner consent, sustaining a robust gray market in 2024, with countries like Türkiye, China, India, Kyrgyzstan, Georgia and Armenia playing key roles in supplying parallel imports.

Property rights

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Private companies are generally seen as important engines of economic development but remain insufficiently protected by current legal safeguards. Historically, the privatization of state-owned enterprises primarily served clientele interests. During Putin's tenure, a second generation of politicians and businesspeople emerged who benefited from close ties to the president.

These individuals from the business sector or civil service have used law enforcement agencies, tax authorities and health inspectors to strip successful private entrepreneurs of their assets. The leadership is aware of these corporate raids, and President Putin has raised the issue multiple times. However, these statements have not produced any tangible results, thus serving only as diversionary tactics.

In strategic sectors like oil and gas, the state has long reduced private ownership through administrative pressures, confiscations and negotiated sales. However, in 2024, nationalizations expanded beyond these sectors, targeting consumer goods, manufacturing and real estate. Russia nationalized at least 67 companies in 2024, with combined revenues exceeding RUB 807.6 billion (approximately \$8.5 billion) and assets valued at more than RUB 544.7 billion (around \$5.7 billion).

10 | Welfare Regime

In 2023 – 2025, Russia's social policy landscape reflects a regime prioritizing military needs over comprehensive welfare, with social safety nets showing both resilience and limitations. While well established, these systems fail to shield all population segments from economic risks, leaving significant vulnerabilities, particularly among groups not connected to the war.

The government has bolstered specific welfare initiatives to offset war-driven economic pressures. In 2024, it extended the subsidized mortgage program for families with young children until 2030, locking in a 6% interest rate – a stark contrast to the market rate, which soared up to 30% by February 2025 amid central bank hikes to curb inflation. This measure, benefiting over 200,000 families in 2024 per state reports, aims to stabilize housing access for a key demographic group. Yet, broader social spending is contracting: expenditures fell from 3.6% of GDP in 2023 to 3.5% in 2024, with projections of 3.03% in 2025 and 2.90% in 2027, reflecting a fiscal shift toward military priorities. This decline squeezes health care and pension funding, with hospital staff reporting 10% budget cuts in 2025 and pension indexation lagging inflation by 2 points.

Public welfare in 2023 – 2025 thus reveals a dual reality: targeted support for war-adjacent groups contrasts with neglect of broader needs. The regime touts the poverty drop and mortgage program as successes, but the narrowing scope of social policy – down from a more inclusive framework pre-2022 – underscores its wartime reorientation. Vulnerable population segments, like the 15 million rural residents and

Private enterprise

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Social safety nets

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retirees on fixed incomes, face heightened risks as food prices climbed more than 12% and utility costs rose 8% in 2024, per Rosstat. Meanwhile, the lack of transparency in social fund allocation, shielded by 2024 “strategic secrecy” laws, limits accountability, with auditors unable to probe discrepancies in military family payouts reported at 20% below promised levels in some regions.

Equality of opportunity in Russia remains a significant challenge. Migrant workers from former Soviet republics, particularly Central Asia, face daily discrimination in employment, housing and public life, exacerbated by rising anti-migrant sentiment. Members of the LGBTQ+ community encounter even more severe restrictions. In practice, belonging to this community has effectively become illegal, severely limiting employment and social opportunities.

The Russian constitution guarantees equal rights for men and women, yet workplace discrimination, wage gaps and restricted access to certain professions persist for women. In 2021, the government lifted Soviet-era bans, opening about 350 previously prohibited jobs to women. However, around 100 occupations, such as firefighting, remain off-limits – contributing to labor shortages in sectors like defense, where traditional gender roles and policies hinder women’s participation.

In education, women outperform men in tertiary enrollment, with a female-to-male enrollment ratio of 1.11 in 2022, meaning more women than men pursue higher education. Despite this, the labor force participation rate in 2023 was 54.5% for women compared to 69% for men, and women remain under-represented in leadership. As of January 2023, women held 18.3% of seats in the Federal Assembly, including 16.7% in the State Duma.

Discrimination extends beyond gender and sexual orientation. Religious minorities face significant barriers, with Jehovah’s Witnesses enduring intensified persecution (in 2024, more than 145 members were convicted as “extremists”) and Muslims in regions like the North Caucasus subject to profiling and restrictions on unsanctioned worship. Ethnic minorities, including Central Asians and Caucasians, encounter systemic racism, worsened in the wake of the 2024 Crocus City Hall attack – which spurred deportations and exclusion from jobs and rentals.

The plight of LGBTQ+ individuals has worsened markedly. In November 2023, the Russian Supreme Court labeled the “international LGBT movement” extremist, effectively banning any activism. This ruling triggered raids on LGBTQ+-friendly venues, increased convictions and heightened fear within the community – further marginalizing this group in 2024.

Equal opportunity

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11 | Economic Performance

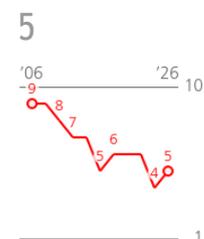
Economic conditions in Russia are challenging. Following a notable recovery from the COVID-induced downturn in 2021, the Russian economy has faced unprecedented Western sanctions since 2022, leading to significant negative impacts across most fronts. The escalating burden of the ongoing war – unforeseen in its scope and intensity – has worsened these woes. Some indicators suggest the macroeconomic situation may be more unfavorable than officially reported.

At the end of 2024, industrial facilities operated at 81% capacity and 73% of enterprises reported labor shortages. Unemployment hit a record low of 2.3%, leaving an estimated 1.6 million jobs unfilled, driven by the departure of foreign suppliers, import substitution efforts and a dramatic expansion of military production. In 2024, military expenditure surpassed 7% of GDP – the highest since the Soviet Union’s collapse – fueling industrial output growth of 4.6%, with manufacturing rising 8.5%. Total industrial output was 10.2% higher than in 2021, though excluding war-related industries, growth was just 3%. Government officials claimed a 4.1% GDP increase in 2024, exceeding the 3.9% forecast, yet the IMF estimated GDP per capita rose to \$15,080 from \$14,700 in 2022, reflecting nominal gains amid war-driven demand.

Inflation has emerged as a critical factor in Russia’s economic stability. In December 2024, annual inflation reached 9.5%, well above the central bank’s 4% target, driven by military spending exceeding 7% of GDP, labor shortages pushing wages up and sanctions-related import costs. The central bank raised the key interest rate to 21% in October 2024 to curb price growth, but this has strained civilian sectors like construction and real estate, risking stagflation – high inflation paired with slowing growth. Inflation erodes purchasing power (real pensions fell 0.7% in 2024) and deters investment, threatening long-term stability. However, it also supports short-term resilience: a weaker ruble (over 100 RUB/USD) boosts export competitiveness, sustaining trade with the Global South, while war-fueled demand keeps unemployment low and GDP growing. Yet, with the National Wealth Fund down to \$31 billion and reserves stretched, persistent inflation could tip the economy into recession if military spending falters or sanctions intensify.

Despite these challenges, Russia is not as economically isolated as the European Union and the United States had hoped. The Global South, including China and India, continues trading with Russia, partially filling the void left by Western markets. Still, reliance on war-driven growth and inflationary pressures casts doubt on the sustainability of this stability.

Output strength



12 | Sustainability

Environmental concerns in Russia have been further marginalized as economic priorities and industrial self-sufficiency have taken precedence under sanctions. In 2024, multiple legislative amendments relaxed environmental regulations and granted exemptions to industries like manufacturing and construction to maintain production levels. These changes weakened oversight and prioritized domestic capabilities over ecological safeguards – a trend evident since the 2022 invasion of Ukraine.

Russia's climate goals, reiterated in the Climate Doctrine (updated October 26, 2023), aim to reduce greenhouse gas emissions to 70% of 1990 levels by 2030 and achieve net-zero by 2060. First outlined in 2009, this framework emphasizes adaptation, energy efficiency and forest carbon sinks – projecting a doubling of uptake by 2050 – without phasing out fossil fuels. However, progress stalled in 2024. The Law on Limiting Greenhouse Gas Emissions (adopted July 2, 2021, effective December 30, 2021) mandates emissions reporting for large emitters (over 50,000 tons CO₂-equivalent annually from 2024) but lacks penalties, resulting in inconsistent compliance. The Decree on Socio-Economic Development with Low GHG Emissions (October 29, 2021) targets a 60% reduction from 2019 levels by 2050 yet relies on unverified forest sink projections. Meanwhile, the Energy Strategy to 2035 (June 9, 2020) drives fossil fuel production (up 5-9% by 2024) over its modest 4.5% renewable target, unmet by 2024. Enforcement across these policies is weak, hampered by budget cuts – environmental programs were slashed in 2024 amid war spending – and industrial lobbying, leaving emissions rising (per Climate Action Tracker).

International cooperation on climate initiatives has dwindled, with Russia's participation in global forums like COP29 reduced, partly because of its veto of EU hosting bids (Reuters, 2023). Sanctions have crippled Russia's ability to meet Paris Agreement financial commitments and limited access to green technologies. The government's focus on alternative supply chains from the Global South has intensified industrial pollution as older, less efficient equipment replaces sanctioned imports.

Environmental challenges escalated in 2024. Siberian forest fires burned over a million hectares by July, with more than 500 active fires worsened by resource shortages – firefighting personnel and equipment were diverted to Ukraine. The Climate Doctrine's adaptation measures faltered, with enforcement agencies like Rosprirodnadzor understaffed. In December 2024, a Black Sea oil spill from two aging tankers near the Kerch Strait contaminated 60 kilometers of coastline, highlighting oversight failures as exemptions shielded shipping from modern safety standards. These disasters underscore how sanctions, war and relaxed regulations have intensified Russia's environmental crisis, outpacing its legislative ambitions.

Environmental
policy

3

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Education policy continues to ensure a successful nationwide system, though the research and technology sector has faced challenges due to international isolation. For the 2025 – 27 federal budget, Russia has planned to allocate around RUB 1.6 trillion to education, representing approximately 0.7% of the country’s GDP. This planned allocation is notably lower than the 6.3% of GDP originally designated for national defense.

The 2023/2024 academic year saw enrollment in basic general education increase to 8.5 million students in grades five to nine, with total general education enrollment reaching about 17.8 million. The literacy rate remains stable at 99.72%, maintaining Russia’s position among highly literate nations.

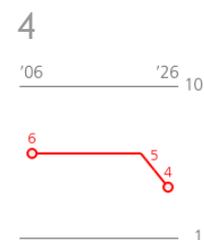
The education system has largely adapted to post-pandemic realities, with most institutions maintaining hybrid learning capabilities. The Ukraine conflict continues to influence education with expanded curriculum guidelines in grades 5 to 11 now covering the “special military operation,” geopolitical relations and Russia’s “state civilisation.” Military-patriotic education has become a mandatory component in schools.

The termination of diploma recognition agreements with Ukraine has prompted the development of new agreements with “friendly” nations, particularly in Asia and the Global South. Russia has established its own “Moscow Educational Process” as an alternative to the Bologna system – from which Russia departed in 2022 – envisioning standardization with the educational systems of allied nations.

Following its complete exit from the Bologna Process, Russia has implemented a revised higher education framework that emphasizes specialist degrees (5 – 6 years) over the bachelor’s-master’s system, though some universities maintain both tracks.

International academic collaboration has shifted toward BRICS countries and other non-Western partners, with new exchange programs and research partnerships being established.

Education policy /
R&D



Governance

I. Level of Difficulty

The structural constraints on governance in Russia have intensified significantly since the decision to launch a full-scale invasion of Ukraine in February 2022, with the prolonged war exerting a profound and multifaceted impact on socioeconomic development. The invasion triggered a cascade of international sanctions and diplomatic isolation, fundamentally reshaping Russia's economic framework toward greater state control and a reorientation of priorities toward the military-industrial complex. By 2024 – 2025, these constraints have deepened, as the Kremlin's war-driven policies have strained fiscal resources, exacerbated infrastructure challenges and amplified demographic and regional disparities.

International sanctions, numbering over 20,000 by early 2025 from more than 50 countries, have severed Russia's access to Western technology, capital and markets, forcing a pivot to Asian partners like China and India. This shift, while mitigating losses in oil and gas revenues, has not fully offset the economic contraction – GDP declined by 2.3% in 2022 and, despite temporary growth of 3.6% in 2023 and 3.8% in 2024 fueled by war spending, is projected to slow to 1.4% in 2025 amid stagflation risks. The decision to prioritize military expenditure – reaching 8% of GDP in 2024 – has diverted funds from social services and infrastructure, entrenching a war economy that struggles with labor shortages, high inflation (nearing 9 – 10% by the end of 2024) and a weakened ruble (down 8% since 2022). This economic reorientation reflects a deliberate choice to sustain the invasion. Still, it has locked Russia into a cycle of diminishing returns, with sanctions biting deeper into industrial capacity and export earnings by 2025.

The infrastructure challenges tied to Russia's vast geography remain a persistent burden, but the invasion has introduced acute complications. The accelerating effects of climate change on permafrost regions – where 65% of Russia's territory lies – have worsened, with thawing causing an estimated 20 – 30% increase in infrastructure damage since 2022, including pipelines, roads and rail networks critical to resource extraction. The withdrawal of Western firms like Siemens and BP, which provided advanced engineering expertise, has stalled modernization efforts in transportation and urban development, leaving projects like the Moscow–St. Petersburg high-speed rail languishing. By 2025, redirecting scarce resources to repair war-damaged border regions (e.g., Kursk) and maintain military logistics has further squeezed civilian infrastructure budgets, amplifying the governance challenge of balancing security and development.

Structural
constraints

5



The urban–peripheral divide has widened dramatically due to the fallout from the invasion. Major cities such as Moscow and St. Petersburg, once hubs for Western-oriented businesses, saw more than 1,000 international companies exit by 2023, a trend that continued into 2025 as sanctions tightened. This exodus reshaped employment, pushing workers toward state-affiliated enterprises, often at lower wages. The middle class, a key driver of urban economies, has shrunk, with the brain drain – estimated at 800,000 to 1 million skilled professionals emigrating since 2022 – hitting technology and service sectors hardest.

Governance has grown increasingly centralized since the invasion. The Kremlin’s focus on military and security imperatives – evidenced by the allocation of more than 40% of the 2024 federal budget to defense and internal security – has tightened Moscow’s grip on regional affairs, sidelining local autonomy. This shift, driven by the need to sustain the war effort, has concentrated resources in oil- and gas-rich regions like Tyumen and Yamal-Nenets, which remain economically privileged due to trade with Asia while non-strategic areas languish.

Demographic challenges, already severe before 2022, have reached crisis levels by 2024 – 2025 due to the invasion’s toll. War casualties – estimated at over 420,000 by late 2024 – combined with the emigration of 800,000 to 1 million educated professionals and a natural population decline of 0.5% annually have shrunk Russia’s population to approximately 144 million by early 2025. The loss of young, skilled workers has crippled innovation and productivity, particularly in tech and manufacturing. At the same time, the military’s reliance on volunteers and foreign recruits (e.g., North Korean troops in 2025) underscores domestic manpower shortages. The decision to invade Ukraine has thus accelerated a demographic collapse that, by 2025, threatens long-term socioeconomic stability, with no apparent policy reversal in sight as the war grinds on.

Civil society has faced unprecedented restrictions. The space for independent civil society activity has narrowed significantly, as the state promotes government-organized non-governmental organizations (GONGOs) as alternatives to independent civil society organizations.

The “foreign agent” legislation has been expanded multiple times, with new amendments in 2023 broadening its scope. By early 2024, the register of “foreign agents” had grown to more than 900 entities and individuals, effectively creating a comprehensive system of control over independent civic activity.

The exodus of international organizations has continued, with virtually all Western NGOs and foundations ceasing operations in Russia. Domestic civil society organizations face increased scrutiny and restrictions, particularly those working in human rights, environmental protection and education. New legislation introduced in 2023 requires all educational and cultural programs to align with “traditional Russian values” – further limiting independent civic initiatives.

Civil society traditions

7

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The state has consolidated its control over information channels and public discourse, with the remaining independent organizations forced to either align with official positions or cease operations. Alternative civic spaces have largely shifted to online platforms and exile communities, though these face increasing restrictions through expanded internet controls and surveillance measures.

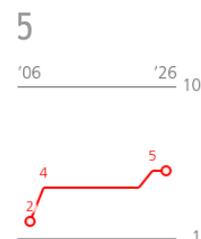
Conflict intensity within Russia has increased significantly compared to 2022, with multiple drone attacks on Russian territory and infrastructure reported throughout 2023 and 2024. While political divisions remain difficult to exploit openly, there have been notable instances of internal dissent, particularly following the armed rebellion by the Wagner Group in June 2023. The conflict in annexed regions of Ukraine remains intense.

The Wagner rebellion revealed potential cracks in elite unity around Putin, though these were quickly contained. The violent death of Wagner leader Yevgeny Prigozhin in August 2023 – the plane he was traveling in exploded in mid-air for reasons not hard to detect – following the failed rebellion marked a significant moment in Russian internal politics. The situation of political opposition has deteriorated further. Russian politician Alexey Navalny died in February 2024 while serving a 19-year prison sentence in a so-called corrective colony in the village of Kharp in the Russian Arctic. The cause has not been revealed, but it is not far-fetched to assume directives from high up.

Also, public protests have become increasingly rare due to harsh crackdowns and new laws imposing severe penalties for anti-war activities. Moreover, the government has enacted stricter measures against any form of protest or dissent, including new laws expanding the definition of “foreign agents” and “undesirable organizations.” Resistance has shifted primarily to private spaces and online platforms. New forms of resistance have emerged, including sabotage of military infrastructure and small-scale individual actions.

LGBTQ+ rights faced further restrictions with the expansion of “anti-propaganda” laws in late 2023, effectively criminalizing any public expression or discussion of LGBTQ+ issues. The designation of the “international LGBT movement” as an extremist organization led to increased persecution and the closure of remaining support organizations. The situation in the North Caucasus remains particularly severe.

Conflict intensity



II. Governance Performance

14 | Steering Capability

The government's approach to strategic priorities has become increasingly centralized and militarized, with policy decisions dominated by wartime considerations and the demands of a mobilized economy. While formal policymaking structures remain, they have been largely subordinated to military objectives and the pursuit of domestic stability. External constraints have increased through international sanctions by the European Union and the United States. These pressures have pushed Russia to deepen relationships with alternative partners, particularly China.

The long-term priorities articulated in earlier periods have been largely superseded by immediate wartime needs, economic adaptation to sanctions and maintaining domestic stability. The previous objectives of integration with Western economic and political structures have been explicitly abandoned in favor of a pivot to non-Western partnerships and increased autocracy.

The preservation of Putin's power system remains paramount, but this now explicitly includes Russia's repositioning as a challenger to Western hegemony. Domestic policy implementation continues to face challenges, with resources increasingly directed toward military needs rather than social programs. Health care, education and anti-corruption initiatives receive less attention and funding as military spending dominates the budget.

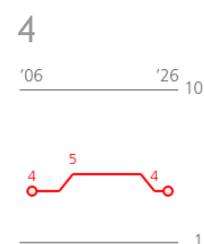
The "siloviki," that is, the "power ministries" such as defense and interior, have consolidated their dominance in strategic decision-making, with virtually all major policy decisions now filtered through a national security lens. The war in Ukraine has evolved into the central organizing principle of Russian state policy.

The government continues to face significant challenges in policy implementation, particularly in economic management and technological advancement, with widespread corruption serving as a central driver of inefficiency. Top state officials, including the president, have rhetorically acknowledged corruption as a critical impediment to modernization and prosperity, yet its pervasive influence has continued to undermine policy outcomes during the reporting period, especially amid the war in Ukraine.

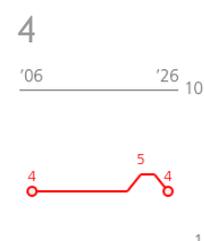
The war has shifted budgetary priorities toward military and security spending, which ballooned to over 40% of the federal budget in 2024, sidelining civilian sectors like health care (down 10% in real terms since 2022) and infrastructure (with maintenance

Question
Score

Prioritization



Implementation



budgets cut by 15% in 2025). This reorientation has not only opened new avenues for corruption in defense procurement but also rendered oversight nearly impossible due to expanded secrecy laws and national security restrictions. For instance, a 2024 audit of a \$2 billion contract for artillery systems revealed discrepancies suggesting that up to 20% of funds were siphoned off through shell companies linked to military insiders – yet the case was abruptly halted under “state secret” provisions. This corruption directly contributed to delays in equipment delivery, with frontline units reporting shortages of promised hardware into 2025, illustrating how graft tangibly weakens warfare.

In the aerospace sector, the government’s ambitious pledge to produce 108 passenger aircraft by 2024 – part of a broader import substitution strategy – has completely floundered, with only seven planes completed by early 2025. Corruption and fraud are key culprits: a 2024 investigation by the Accounts Chamber found that more than 30% of the 150 billion rubles allocated to the Superjet 100 program since 2022 had been misappropriated through inflated contracts and kickbacks to officials at United Aircraft Corporation. The resulting funding shortfalls delayed production timelines and were exacerbated by the loss of Western components due to sanctions, leaving Russia’s civilian aviation sector reliant on an aging fleet unable to meet domestic demand in 2025. This failure underscores how corruption directly sabotages industrial policy goals, a problem acknowledged by state leaders but left unaddressed as resources and attention remain focused on the war.

The effectiveness of state auditors waned significantly in 2023 – 2024, particularly for entities tied to the defense sector or deemed strategically vital to the war effort. Public procurement, once subject to limited scrutiny, has grown opaque, with closed tenders and emergency procedures – justified by national security – dominating contracts worth over 1 trillion rubles in 2024. A notable example is the 2025 reconstruction of war-damaged border infrastructure in Kursk, where a 50 billion ruble project was awarded without bidding to a firm owned by a Ministry of Defense affiliate; subsequent reports of substandard materials and unfinished roads highlight how corruption in procurement translates to shoddy implementation. The system of checks and balances, already fragile, has been further eroded as auditors face pressure to overlook discrepancies in “sensitive” sectors.

The courts, meanwhile, show increasing reluctance to pursue corruption cases, especially those implicating high-ranking officials or the military-industrial complex. In 2024, a bribery probe involving a deputy defense minister – accused of embezzling 500 million rubles from a weapons contract – was quietly dropped after judicial warnings of “national security risks,” signaling a broader trend into 2025 in which legal accountability is sacrificed for political stability. This judicial paralysis has crippled efforts to enforce anti-corruption policies, as seen in the unchecked rise of insider deals in the energy sector, where state firms like Rosneft awarded 70% of 2024 drilling contracts to connected subcontractors at inflated rates, delaying oilfield expansions amid declining output.

Throughout the period under review, corruption has been a tangible barrier to effective policy implementation, as seen in delayed military supplies, stalled aerospace production, subpar infrastructure projects and unpunished embezzlement. The war in Ukraine has amplified these failures by diverting resources and shielding corrupt practices under the guise of security, leaving Russia's governance trapped in a cycle of inefficiency and decline.

The government's approach to policy learning and innovation remains rigid, with increased emphasis on centralized control and military priorities. Economic adaptation has largely focused on managing sanctions and sustaining the war effort rather than addressing fundamental governance issues.

Regional disparities have become more pronounced as the central government focuses resources on key strategic regions and those directly involved in the war effort. The quality gap between central and regional bureaucracies has widened. Corruption remains endemic, while over-centralization has intensified, further hindering the spread of best practices and innovations across regions.

International isolation has deepened significantly. Western expertise and consultation have been almost entirely replaced by cooperation with partners from countries like China, Iran, North Korea and other nations willing to maintain relations with Russia despite the ongoing war. This has altered the nature and quality of external input into governance practices.

International cooperation has been largely restructured toward partners in the Global South and Asia. Organizations such as the Shanghai Cooperation Organisation (SCO) and BRICS have become the mainstay of Russia's international engagement, though these relationships often lack the depth and technical expertise that characterized previous Western partnerships.

International forums continue to be held, but their nature and participation have changed dramatically. The St. Petersburg International Economic Forum and the Eastern Economic Forum in Vladivostok now primarily attract participants from "friendly" countries, particularly Asia, the Middle East and Africa, although the quality and diversity of expertise have severely diminished.

Policy learning

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15 | Resource Efficiency

Despite market reforms and stringent austerity measures over the past two decades aimed at enhancing resource efficiency in Russia, the effective use of human and organizational resources remains hindered by a persistently corrupt and often incompetent state bureaucracy. Politically motivated appointments and dismissals of public servants are prevalent, particularly within regional administrations.

For instance, in May 2024, Dmitry Azarov resigned as governor of Russia's Samara region, marking the second regional head to step down that week ahead of gubernatorial elections. Such turnover is often driven by political considerations rather than merit.

Connections and patronage continue to play a significant role in these decisions, often sidelining talented individuals across various state-associated sectors. This environment undermines the efficiency of public administration and perpetuates a cycle in which competence is secondary to loyalty, further entrenching systemic inefficiencies.

The war against Ukraine is depleting the Russian workforce at home. Because of the war and its cost, social welfare support is decreasing and poverty is rising again. Trust among the people and toward the state is declining.

Budget planning and expenditure management have deteriorated since 2022. While the state budget remains consolidated, actual expenditures increasingly deviate from planned figures primarily due to war-related costs. The prolonged conflict in Ukraine has severely strained state finances. There was a consistent decrease in Russia's National Wealth Fund (NWF) throughout 2024.

In 2024, Russia's military budget was initially set at RUB 10.4 trillion (approximately \$101 billion). Actual spending was estimated to have reached RUB 13.2 trillion (around \$129 billion). At the same time, the proposed 2025 budget indicates a 16% decrease in social spending, reducing allocations from RUB 7.7 trillion to RUB 6.5 trillion. This planned reduction underscores a shift in fiscal priorities toward "guns" and away from "butter."

The concentration of power in the president's inner circle has intensified. Policy coordination remains predominantly hierarchical, but the war has increased the influence of military leadership in decision-making. Presidential commissions now feature numerous military figures and defense industry representatives, while civilian expertise has been marginalized. Regional input remains minimal, with appointed governors focusing mainly on fulfilling military-industrial demands.

In 2024, the Russian government further centralized authority and curtailed municipal autonomy – a principle enshrined in the Russian constitution – by streamlining a law on local self-government in May 2024. The financial autonomy of

Efficient use of assets

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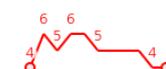


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Policy coordination

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regions and local authorities has also decreased as central authorities prioritize military spending and strategic industries. Public oversight mechanisms have been weakened under wartime measures, with increased restrictions on civil society organizations and independent media.

Disagreement among elites has deepened, particularly between military and civilian leadership groups. Competition for diminishing resources has intensified, while wartime emergency measures have reduced transparency and accountability. Regional governments increasingly compete for federal support while trying to meet both military and civilian needs. The military-industrial complex has gained significant influence over economic policy, while attempts to maintain macroeconomic stability face mounting challenges from sanctions and military spending demands.

The space for public discourse on corruption and integrity has contracted significantly, with new laws expanding the definition of “foreign agents” to include virtually any critic of government policies. The authority of independent auditors has been curtailed further, as several key oversight bodies have been reorganized under direct government control. The erosion of financial transparency has deepened, with new legislation shielding so-called “strategic information” from public scrutiny.

The “temporary” suspensions of financial disclosure laws have been extended and broadened. On December 29, 2022, President Putin issued a decree exempting individuals involved in war efforts from the obligation to disclose information about their incomes and expenses. These initial wartime exemptions have since expanded to cover a wider range of officials and industries deemed strategic to national security. New legislation in 2024 has made these exemptions permanent.

Domestic organizations attempting to monitor corruption have faced increased scrutiny and legal challenges, with many forced to cease operations or significantly restrict their activities. For example, independent anti-corruption groups have been labeled “foreign agents” or “undesirable organizations” – leading to closures or self-imposed limitations on their work by 2025. This crackdown has further silenced public oversight, leaving state narratives unchallenged.

Public procurement has undergone significant changes, with many transparency requirements relaxed under the justification of national security and economic necessity. While the mandatory tender system formally remains in place, expanded exemptions for “strategic” and “priority” projects have created substantial loopholes. New regulations prioritizing domestic suppliers, enacted in 2024, have reduced competitive pressures and transparency in the bidding process and often favor state-affiliated firms. For instance, wartime contracts worth billions of rubles have been awarded without public tenders, with the government justifying this on the grounds of national security.

Anti-corruption
policy

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Political accountability has continued to erode as elections are now entirely stage-managed and opposition voices further marginalized under wartime conditions. Anti-corruption prosecutions remain selective and politically motivated, targeting individuals who have fallen out of favor rather than addressing structural corruption. The prioritization of military spending has further weakened fiscal oversight, while emergency measures have curtailed public access to information on state expenditures.

In 2024, the government intensified its crackdown on corruption within the defense sector, leading to the arrest of numerous high-ranking officials. In April 2024, Deputy Defense Minister Timur Ivanov was detained for accepting substantial bribes tied to defense contracts, a case widely publicized as a signal of internal discipline. In September 2024, General Major Valery Muminyanov, deputy commander of the Leningrad Military District, was arrested for allegedly accepting a bribe of RUB 20 million to grant military supply contracts. While these high-profile arrests suggest an anti-corruption push, they coincide with heightened secrecy laws that shield broader defense spending from scrutiny. By 2025, such prosecutions appear more as political purges than systemic reform, with little impact on the underlying culture of graft.

16 | Consensus-Building

Only a small number of opposition political actors in Russia are committed to establishing democracy, defined by the rule of law, free and fair elections, and freedom of information. Their already limited influence on political affairs has been virtually eliminated following the death of opposition leader Alexei Navalny in prison and the formal re-election of Vladimir Putin in March 2024 – with most prominent opposition figures now either imprisoned, exiled or deceased.

Even the rhetorical inclusion of democratic ideals in official discourse has largely disappeared. The consensus among Russia’s mainstream continues to evolve around political stability, now explicitly framed in terms of national unity and resistance to perceived external threats. Democracy is presented as part of Russia’s “unique path” that explicitly rejects Western democratic models.

The official argument that only the current elite possesses the capability to guide the country through challenging times strengthened between 2022 and 2025, with increased emphasis on protecting Russia’s sovereignty and interests. Opposition groups advocating for democracy, such as Yabloko, face potential dissolution under various legal pretexts. Their exclusion from public discourse and parliament has become nearly complete, except for some presence on social media.

The consolidation of power has intensified since the beginning of the war, with no noticeable increase in divisions among different groups. The Presidential Council for Civil Society Development and Human Rights is now intended to endorse government positions rather than provide independent oversight. The council currently consists of 47 people, all unconditionally loyal to President Putin.

Consensus on goals

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While Russia's key political actors still do not formally challenge the fundamental principles of a market economy, these principles are now more openly disregarded in practice. Elite support for the promotion of a state-controlled market economy has strengthened, particularly in response to international sanctions. The government has increased its direct and informal management of strategic industries and large businesses, with economic policy explicitly oriented toward supporting the war effort and ensuring regime stability. This tendency is particularly evident in provincial Russia.

The influence of Western-educated economic reformers within state institutions and the government has been significantly reduced. The contradiction between maintaining an open economy and engaging in military conflict has been resolved in favor of security-oriented officials and those supporting state control. The previous balance between some market openness and political control has shifted decisively toward the latter. The Russian ruling elite has abandoned any pretense of following Western economic models. For example, the Gaidar Forum – Russia's annual international economic conference held since 2010 – was scheduled for 2023 but ultimately canceled and has not been held since.

There are no major political actors in Russia that can be characterized as democratic. Although the political elite see themselves as democratic, because Russia officially has a division of power with three branches, in practice this is not the case. In addition, the Kremlin has promoted the idea that Russia is under attack from the West and is therefore fighting liberal hegemony.

The prevailing mood has shifted from the “Crimean consensus” (which emerged after the annexation of Crimea in 2014) through the “war consensus” into what might be called a “siege mentality” consensus. This includes not only support for the current undemocratic status quo but also the normalization of global conflict and isolation from the West. The consensus emphasizes Russia's self-sufficiency from the West and frames current hardships as necessary sacrifices for national sovereignty, leaving virtually no space for debate or dissent.

President Vladimir Putin has achieved considerable consensus-building even during the war, as potential divisions between various social groups have not significantly widened. Building on the strict legislation introduced in 2022, the regime has further expanded control over information and dissent. New laws have broadened the definition of “foreign agents” and “undesirable organizations” while increasing penalties for criticizing the military or state leadership. As of January 2025, there were 921 individuals and organizations designated as “foreign agents” and 204 “undesirable organizations” in addition to an estimated 1,500 political prisoners.

The space for independent media has nearly vanished, with most remaining independent journalists operating from exile. The focus on “cleansing society” has intensified, with broadened definitions of “national traitors” and “foreign influence.”

Anti-democratic actors

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Cleavage / conflict management

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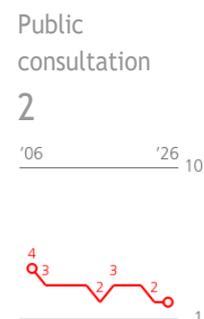
The Kremlin’s policy continues to prevent all forms of protest, while social control mechanisms have become more sophisticated. Traditional repression is now combined with enhanced digital surveillance tools, monitoring of online communication and the development of domestic alternatives to Western social media platforms and digital services. The state has increased its capacity to monitor and prevent potential social unrest arising from economic difficulties.

Since at least 2012, the Russian government’s engagement with civil society has become increasingly restricted and formalized, a trend that has intensified following the war in Ukraine. Institutions such as the Public Chamber, initially intended to link the state and society, have been fully repurposed to rubber-stamp government decisions, sidelining genuinely independent organizations. This shift has effectively eliminated authentic dialogue, replacing it with a tightly controlled façade of consultation that serves state interests over public input, particularly on critical issues such as defense policy, the war in Ukraine and domestic priorities.

A telling example is the Public Chamber, which hosted staged “discussions” in early 2025 where hand-picked loyalists praised the war effort, claiming it safeguarded Russian sovereignty. Independent voices such as the remnants of the Soldiers’ Mothers Committee instead faced severe repression: their attempts to organize protests in late 2024 against the deployment of conscripts to Kursk – following Ukraine’s incursion – were met with arrests and fines under tightened “discrediting the army” laws.

Building on earlier censorship, internet control reached new heights in 2023 – 2024, further stifling civil society’s ability to engage. Sophisticated filtering systems and mandatory routing of all internet traffic through government-monitored channels drove the number of blocked websites past two million by early 2025, including platforms hosting anti-war campaigns. Social media such as VKontakte and Telegram faced relentless pressure to remove dissenting content – over 150,000 posts critical of the Ukraine war were deleted in 2024 alone, according to state reports. The ban on “extremist” platforms like Meta’s Facebook and Instagram, enforced more rigorously since 2022, left little space for uncensored public discourse. A notable example is the shutdown in January 2025 of a Telegram channel run by displaced Kursk residents with 50,000 followers, which decried government neglect after Ukraine’s offensive; authorities labeled it “subversive” and detained its moderators.

Civil society’s marginalization is equally pronounced in domestic policy. In 2024, the government introduced a controversial pension reform raising the retirement age by two years to offset war costs, yet no independent unions or citizen groups were consulted. The All-Russian People’s Front, a Kremlin-aligned body, staged regional “hearings” in late 2024, where attendees – mostly state employees – voiced scripted support. Meanwhile, genuine labor organizations attempting to rally opposition, such as the Confederation of Labor of Russia, were branded “foreign agents” and had their offices raided in early 2025. Public discontent over rising inflation (10% at the



beginning of 2025) and food shortages – exacerbated by sanctions and military spending – has been met with silence from the state, as independent NGOs like the Moscow Helsinki Group, once monitors of such issues, remain shuttered or defunded since 2023.

In 2023 – 2024, civil society engagement has been systematically dismantled, leaving the Russian public voiceless. The Kremlin has effectively ensured that only state-approved narratives are heard, which does not mean, however, that all voices have been silenced. Within the realm of fundamentally loyal attitudes, there is still some space to express particular interests – for example, by the Union of Industrialists and Entrepreneurs (RSPP) – or to offer policy advice, such as advocating either a softening or hardening of Russia’s conduct in the war against Ukraine.

The state’s approach to historical memory has become increasingly restrictive and focused on promoting a singular narrative emphasizing Russian greatness and victimhood. Any public discussion of historical injustices, particularly those related to the Soviet period, has been effectively criminalized through new laws protecting “historical truth” and preventing a “rehabilitation of Nazism.”

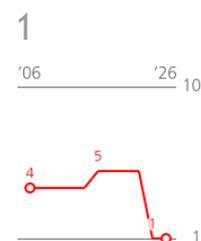
The victory in World War II has been further elevated as the cornerstone of state ideology and identity with new monuments, museums and educational programs dedicated to the “Great Patriotic War.” This narrative has been directly linked to the current war in Ukraine through official propaganda that presents the war as a continuation of the struggle against fascism.

The suppression of alternative historical narratives, which began with Memorial’s closure, has expanded to include the systematic dismantling of independent historical research institutions and archives. Former Memorial activists and historians working on Soviet repression have faced increased pressure, with several facing criminal charges under new laws against “discrediting” Russian history. Digital archives documenting Soviet repression have been blocked or labeled as “foreign agents.”

The education system has undergone a comprehensive overhaul, with a new unified history textbook emphasizing continuity between the Russian Empire, the Soviet Union and modern Russia. The literature curriculum has been further revised to remove works critical of Soviet power while adding new texts that promote military patriotism and “traditional” values.

Alexander Solzhenitsyn’s main work about the Soviet labor camps, “Gulag Archipelago,” has been removed from required reading and replaced by works celebrating Soviet achievements and military victories. New mandatory “patriotic education” courses have been introduced at all educational levels, presenting a carefully curated version of Russian history that aligns with current state ideology.

Reconciliation



17 | International Cooperation

Starting around 2007, with a brief interruption during Dmitry Medvedev’s presidency from 2008 to 2012, Russian authorities increasingly viewed international assistance as unwanted interference in Russian affairs. As a result, Moscow began supporting Russia-friendly actors in EU member states in hopes of influencing EU policy.

Still, Moscow distinguished between maintaining economic cooperation with the West and preventing Western influence on its political processes as well as in the post-Soviet region. The annexation of Crimea in 2014 marked a definitive turning point in relations with the West, leading to a deterioration of ties.

Russia has increasingly positioned itself not just as independent from Western influence but also as an alternative power center. It has expanded its interference in other countries’ domestic politics, particularly in Africa, where it has increased its presence through the Wagner Group – later known as “Afrika Korps” – and other instruments of influence. The country has also strengthened its disinformation capabilities, targeting both Western and developing nations.

Moscow has moved toward parallel financial and economic structures with partners such as China, India and other non-Western nations. The BRICS expansion in 2024 to include five members has become a centerpiece of Russia’s strategy to work with alternative international institutions.

Its “pivot to the East” has evolved into a comprehensive realignment of its international relationships. Trade with China has reached record levels, exceeding \$245 billion in 2024. However, the relationship remains asymmetrical, with Russia increasingly dependent on Chinese technology and market access. This has led to efforts to diversify partnerships, particularly with India, Iran and Türkiye. North Korea is supporting the war against Ukraine by sending troops to Russia.

Waging war against an allegedly weaker neighbor on spurious grounds but with the ultimate aim of annexing territory and subjugating the entire state fundamentally disqualifies Russia as a reliable and trustworthy actor. Moreover, the erosion of international trust in Russia has become systemic, with virtually all Western countries viewing Russia as a long-term strategic adversary rather than a potential partner. This perception has spurred new international coordination mechanisms, such as the European Union’s 2024 Cyber Resilience Task Force and NATO’s expanded Strategic Industries Protection Initiative, explicitly designed to counter Russian influence in cybersecurity and critical supply chains. The number of countries imposing sanctions on Russia has grown to over 50 by 2025, with secondary sanctions – such as the U.S. Treasury’s January 2025 measures targeting Chinese firms aiding Russia’s military – severely restricting Russia’s economic maneuverability.

Effective use of support

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Credibility

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However, under the re-emerged yet much more energized U.S. President Trump, signs of a softer approach appeared in early 2025. Trump suggests a potential “reset” in U.S.-Russia relations tied to Ukraine peace talks, though concrete policy shifts remain unclear as of March 2025.

Russia’s climate commitments have been effectively abandoned, with the government prioritizing hydrocarbon exports to friendly nations over emissions reductions. In a 2024 Ministry of Energy statement, officials declared that meeting Paris Agreement targets was “unrealistic” given sanctions and economic pressures, shifting focus to maximizing oil and gas sales to Asia. Instead, Russia has promoted alternative environmental frameworks through BRICS and the Shanghai Cooperation Organization (SCO), advocating for “sovereign climate policies” that reject Western-led mandates. At the 2024 BRICS Summit in Kazan, Russia pushed a resolution – adopted in early 2025 – emphasizing national control over environmental standards, though critics argue this masks its intent to evade accountability.

Within BRICS and SCO member states, Russia positions itself as a trustworthy actor, leveraging pragmatic partnerships rooted in political, economic and security needs. Its relationship with China, labeled a “no-limits friendship” by Xi Jinping in 2024, ranks at the apex of Chinese diplomatic ties, evidenced by record trade volumes and joint military drills like Northern United-2024 in the Sea of Japan. These alliances suggest Russia is far from isolated globally, as nations like India – importing 2 million barrels per day of Russian oil in 2024 – and Türkiye – hosting the Akkuyu nuclear plant project – maintain robust ties for strategic gain. However, this trust is mainly transactional, not ideological, and masks significant breaches in Russia’s international credibility elsewhere.

Russia’s compliance with international agreements in 2023 – 2025 reveals a stark divide between its behavior toward Western frameworks and its conduct within allied blocs. On trade, Russia’s suspension from the World Trade Organization (WTO) in 2022 persists, with the USTR’s 2024 report noting continued violations of WTO commitments, such as export bans on grain to “unfriendly” countries and subsidies propping up sanctioned industries. In contrast, Russia adheres to trade pacts within the Eurasian Economic Union (EAEU), boosting intra-bloc trade by 5% in 2024 and honors energy export deals with China.

Human rights compliance, however, is dismal: the 2025 Human Rights Watch report documents Russia’s refusal to cooperate with the U.N. Human Rights Council, including blocking the Special Rapporteur on Russia and ignoring ICC arrest warrants for military officials tied to Ukraine war crimes. Domestically, 2024 saw 78 new “discrediting the military” convictions and the designation of 64 organizations as “undesirable” – flouting the International Covenant on Civil and Political Rights, which Russia nominally upholds.

Cooperation with international organizations further highlights this duality. Russia remains an active U.N. Security Council member, vetoing seven resolutions in 2024 – mostly Ukraine-related – while pushing BRICS and SCO agendas, such as a 2025 SCO cybersecurity pact with China and Kazakhstan. Yet, its defiance of treaties like the Budapest Memorandum of 1994 (violated by annexing Crimea and escalating in Ukraine) and the Nuclear Non-Proliferation Treaty (threatened by 2024 nuclear rhetoric) undermines its credibility. The European Union’s May 2024 sanctions framework targeting Russian human rights abuses, including asset freezes over Navalny’s death, reflects this distrust. Even within “friendly” forums, pragmatism trumps trust: India’s 2025 hesitance to join Russia’s Arctic projects and Türkiye’s NATO balancing act suggest limits to Russia’s reliability.

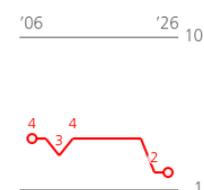
Russia’s regional relationships have been fundamentally reshaped by the ongoing war in Ukraine and the consolidation of its authoritarian system. The fears of smaller post-Soviet states have been validated by Russia’s continued aggressive actions in Ukraine. This qualifies as malign hegemony and disqualifies Russia as a cooperative regional actor – in spite of everything else. An obvious consequence has been a fundamental reassessment of regional security arrangements, with countries like Kazakhstan and Azerbaijan taking steps to reduce their dependence on Russian security guarantees while carefully maintaining formal cooperation to avoid provocation. Central Asian countries have strengthened their ties with China, Türkiye and the European Union. The transformation from “soft dominance” to more overt forms of control has become evident.

Regional cooperation has become increasingly formalized and institutionalized through bodies like the Eurasian Economic Union and the Collective Security Treaty Organization, though their practical significance has diminished. Russia has sought to maintain its influence through regular summit diplomacy, but participation has become increasingly perfunctory, with member states pursuing their own interests through bilateral relationships with other powers.

The development of the China–Russia partnership has continued to reshape regional dynamics. While trade and military cooperation have increased, Central Asian states have leveraged China’s Belt and Road Initiative and other frameworks to reduce their historical dependence on Russia. The region has increasingly become an arena for competition between Chinese economic influence and Russia’s traditional security role.

Regional cooperation

2



Strategic Outlook

The transformation of Russia's political system into a full-fledged autocracy was confirmed when Vladimir Putin secured another term in the 2024 presidential election amid tight control over the political process. The regime has since further consolidated its grip on power through expanded surveillance capabilities, stricter control over information flows and increased repression of any remaining independent voices. The war in Ukraine has become the central element of state ideology, with patriotic education and military training playing an expanded role in public life. The Russian Orthodox Church has further aligned itself with state policy, providing unqualified religious endorsement for the continuing war.

The exodus of opposition figures and professionals that began in 2022 has created long-term challenges for economic development and technological innovation. However, the regime has adapted by fostering new elite groups aligned with its geopolitical orientation toward Asia and focused on domestic substitution of Western technologies and development. For remaining independent civil society actors in Russia, the path forward lies in focusing on non-political humanitarian and social support activities that address concrete local needs. Success in this politically repressive environment requires developing expertise in working within restrictive legal frameworks while attempting to preserve organizational integrity.

The business community and technical professionals face the challenge of maintaining standards and expertise while adapting to new realities. Their strategy focuses on identifying opportunities within import substitution programs that allow them to preserve professional standards. Building connections with Asian and Global South technical communities while maintaining Western expertise could be essential. Informal professional networks could also play a crucial role.

Educational and research institutions must find ways to maintain international academic standards through informal networks and collaborative projects. Preserving technical and scientific expertise through domestic research networks is becoming increasingly important, as is building regional academic connections in non-politically sensitive fields. Supporting Russian professionals abroad while stimulating their connections to domestic networks could be important, as it could help create frameworks for future re-engagement.

In sum, success in promoting transformation in Russia will require focusing on several key strategic priorities: preserving professional and technical capacity for future change, supporting humanitarian and social initiatives at the local level, maintaining international connections through non-political channels, maintaining professional standards and technical expertise and developing innovative solutions for information access and knowledge transfer under conditions of political repression.

While Russia is unlikely to experience a transition to democracy in the near term, and definitely not during Putin's tenure, the country could evolve into a less aggressive and more predictable non-democracy. Even this path, however, is hardly imaginable under Putin's watch. Western sanctions strategies could be recalibrated to focus on creating conditions for this more limited but

achievable approach, emphasizing specific policy changes that would reduce aggressive behavior rather than pushing for full democratization. This might include offering selective sanctions relief in exchange for measures that reduce domestic oppression. Achieving such outcomes will require patience, persistence and an understanding that transformation opportunities may emerge through unexpected pathways, potentially leading to a more cooperative, if not democratic, Russian state.