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United States Department of State  
and the Broadcasting Board of Governors  
Office of Inspector General

# Report of Inspection

## Broadcasting Board of Governors' Operations in Russia

Report Number ISP-IB-07-32, May 2007

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## KEY JUDGMENTS

- The Broadcasting Board of Governors (BBG) carries out significant and diverse programs in Russia. Radio Free Europe/Radio Liberty (RFE/RL), an International Broadcasting Bureau (IBB) marketing office, and Voice of America (VOA) have well-run offices in Moscow and networks of freelancers across Russia committed to achieving BBG objectives.
- BBG broadcasting is losing its access to the Russian people due to changes in media trends and to subtle pressure from the authorities to discourage Russian radio and television stations from hosting foreign programming.
- Shortwave listenership is rapidly declining. VOA's Russian news service is shifting from radio to television as a more effective way to reach a wider audience, but it is increasingly difficult to find stations that will place BBG programs.
- IBB recruits affiliate stations to rebroadcast VOA and RFE/RL products. Russian authorities who license and tax broadcasters are discouraging potential affiliates from rebroadcasting BBG material. The three dozen BBG affiliates of a few years ago are reduced to four. The embassy is working with BBG on this issue.
- Keeping Russian staff is a growing challenge because comparable jobs in the Russian electronic media have better salary and benefit packages and because of a perception that working for U.S.-funded media can mean blacklisting in the domestic market.
- VOA operates a bureau office in Moscow, but the office is so far from downtown Moscow that it inhibits coverage of events in the capital.

The inspection took place in Washington, DC, between September 4 and 27, 2006, and in Moscow, Russia, between September 29 and November 20, 2006. Ambassador Eileen A. Malloy (team leader), Leslie Gerson (deputy team leader), and Francis B. Ward conducted the inspection of BBG operations in Russia.



## CONTEXT

BBG has three distinct operations in Russia. VOA has a Moscow bureau office that supports the English worldwide service and the Russian language service. RFE/RL conducts programs inside Russia in several languages and has offices in Moscow, St. Petersburg, and Kazan. IBB has marketing offices for Russia in Prague and Moscow to promote and expand BBG programming to Russian audiences.

All three BBG operations face growing Russian government restrictions on their work and the danger of losing quality staff to the highly competitive Russian media job market. The Russian government exerts growing control over all media, particularly broadcasting. The message from local broadcasts is increasingly anti-American. The American electronic media content, other than news selected by the pro-government channels that reaches Russian audiences, is either the dubbed American entertainment programs or the programming from BBG sources. New technologies such as satellite radio and television, cable systems, Internet access to electronic media, and the shift from analog to digital programming are all changing Russian access to information. BBG can no longer rely on the shortwave listening audiences of the Cold War era. Major Russian stations refuse to place U.S government programming for reasons that include a preference for pure entertainment, concerns by broadcasters that they might displease the government, and Russian government licensing regulations limiting foreign content.

In the 1990s, BBG built a network of over 30 affiliate radio stations that rebroadcast its products. In recent months the affiliates have been advised that they could lose their licenses or be hit with large tax burdens if they continue to rebroadcast foreign material. Stations have decided not to take the risk. There are now only four affiliates. An IBB marketing team speaking for VOA and RFE/RL makes periodic visits to Russia to support the search for affiliates. They were unsuccessful in the spring of 2006, competing against other companies (some with close ties to the authorities) for a license for an FM radio frequency. An opportunity to compete in late 2006 has been postponed until 2007.

VOA Russian radio only broadcasts two hours a day. RFE/RL Russian radio programming is on the air 24-hours a day. Because television is the dominant source

of information for most Russians, VOA is shifting to a televised weekly program: “Windows on the World” and a daily program called “Focus.” The only national television station that will replay VOA material is TV3, which has an American citizen among its owners. It reaches all major cities in Russia and has 70 million potential viewers. This is a solid mid-level audience rating. Terrestrial or cable network access is essential as satellite dish use in Russia is rare. In the last days of the Moscow inspection, IBB learned that the American participant in TV3 had been bought out. If either the change of ownership or government pressure causes TV3 to drop VOA programming, there is no apparent alternative broadcaster. Until such time as direct-to-home satellite television reception becomes a more popular medium, or computer televiewing matures in Russia, VOA’s Russian television initiatives will be frustrated.

## MANAGEMENT ISSUES

### VOICE OF AMERICA, MOSCOW

BBG Washington officers cited concern about the location of the Moscow bureau in an apartment complex an hour's drive outside downtown Moscow. An earlier bureau chief had chosen the location in the 1990's for its proximity to the airport and moderate cost. But that was before growing automobile ownership had created the Moscow traffic problems of today. The VOA correspondent, in her fourth year as Moscow bureau chief, spends much of her time traveling throughout Eastern Europe and the states of the former Soviet Union. The office location, although convenient to the airport, makes covering events in downtown Moscow difficult. The office has a small studio and generous space for the correspondent, the administrative assistant, a producer, and visiting contract stringers.

RFE/RL has a large office in downtown Moscow. While all of its space is in use, it still manages to host a colocated IBB marketing representative. On a visit to Moscow during the inspection, RFE/RL Washington leadership offered to entertain a VOA request for colocation in Moscow, as is done elsewhere. The Office of Inspector General (OIG) team informally recommended that VOA review the cost effectiveness of relocating the office to central Moscow.

The correspondent would like closer cooperation with the embassy but finds it difficult to attend all but the most important embassy events. First, the remoteness of the VOA offices makes attendance at events difficult. Second, the bureau chief understands that VOA News Washington has advised its correspondents to keep their distance from embassies in the wake of VOA's withdrawal from International Cooperative Administrative Support Services (ICASS) agreements worldwide. VOA's only administrative contact with the embassy in Moscow is the processing of personnel matters for the administrative assistant and driver.

By leaving ICASS, the VOA office has lost its access to the embassy mail and pouch systems, leaving the only dependable mail service packages sent by commercial courier service from VOA Washington every few weeks. The OIG team suggested that VOA explore with the embassy a partial ICASS arrangement that might provide more secure and regular mail delivery.





The BBG/IBB marketing representative in Russia has a small office in the RFE/RL office suite in downtown Moscow. He makes tours of the provinces to find and sign up affiliate stations, participates in media trade shows, and programs seminars on topics like radio and television management for local stations. He helps affiliates with technical problems, ensures that they have compatible equipment, and informs them of frequency changes in VOA and RFE/RL transmission. He does not handle money in any way. His travel is funded out of Prague and paid electronically. His only connection to the embassy is through the public affairs section distribution unit, which clears VOA affiliates' equipment through customs.

RFE/RL Moscow is registered as a foreign entity under the aegis of the Ministry of Foreign Affairs. At a time when foreign companies and nongovernmental organizations have been expelled for minor bureaucratic errors, RFE/RL Moscow (the Russian Service) is always timely and precise in their paperwork. RFE/RL Kazan (the Tatar Service), which is currently unregistered, is petitioning the Ministry of Foreign Affairs for a separate registration. BBG philosophy is that it broadcasts to peoples, not states, and thus is structured along the lines of language services, not nations. Russia wants all RFE/RL broadcasters registered as a single foreign entity. The Ministry has not yet responded, but if the licensing request is denied bureaucratic harassment of the Kazan office is possible.

RFE/RL Moscow's chief bookkeeper keeps well-ordered files. There are regular reports made through Ernst and Young and routine (annual) and random audits as well as the monthly payroll reports. A recent Price Waterhouse team visit pronounced RFE/RL Russia's management controls to be in order. RFE/RL is considered a representative of a foreign company in Russia, rather than a representative of the U.S. government. It therefore does not pay the 18 percent value added tax on rentals, but it does pay all other taxes including the value added tax on purchases and the 13 percent income tax.

There are formal labor contracts for the 73 core employees and over 700 freelancers (stringers) countrywide paid in accord with Russian labor law. The annual budget of the Moscow office is over \$3 million and rising. In one recent month, the office spent \$170,000 on local salaries and \$90,000 on freelancers, with taxes and pension payments totaling over \$300,000. The St. Petersburg office with eight people has a budget of \$45,000. In addition RFE/RL Moscow pays for office rental, maintenance of a computer network serving up to 100 people, and utilities. RFE/RL staff maintains the computers and the building because landlords or outside information technology contractors are neither dependable nor affordable.

The Kazan-based service has an office staff of 12 plus 27 freelance correspondents operating in 15 regions of Russia with a budget of \$220,000. At the time of the inspection, it was independent of the Moscow office and reported directly to Prague with which it operates a joint web site. Effective January 1, 2007, all RFE/RL activity in Russia, including that of the Tatar-Bashkir Service, is carried out as a unified operation by its Moscow office.

## HUMAN RESOURCES

The declining dollar, the rising cost of doing business in Russia, the increased official and unofficial anti-Americanism, and other morale issues challenge BBG to keep good Russian staff. The expanding economy, the demand for entertainment, and new technologies all contribute to rising media salaries for professionals in the commercial market. BBG employees are motivated by loyalty and high professional ideals, but comparatively low salary, poor benefits, and the possibility of government ostracism from other media outlets are beginning to drive away competent staff.

During the inspection, three relatively new RFE/RL staff took higher paying jobs in the local electronic media. VOA cannot find a person with sufficient skills who will take the salary (\$900 per month) that they are offering for their vacant producer's position. When someone is found, they are generally from the provinces and lack contacts in the Moscow media community, need additional training, and will probably not stay more than a year before leaving for a better paying job.

RFE/RL senior staff, many of them nationally respected journalists, have the skills to be hired away, but several staff told the inspectors that they are unlikely to get work in the major media organs, the Russian government, or major corporations because they are tainted by their association with the United States. This situation, although primarily evident in the electronic media, is spreading to the print media. That does not encourage recruitment. This is a serious human capital problem that is likely to become more serious as the dedicated, experienced staff moves on without a comparable successor generation inclined to take their places.

Staff members complain that as their salaries become less competitive, they also lack the social benefits package that other employees of private sector media and of RFE/RL in other countries have. RFE/RL employees pay into the mandatory Russian national benefits plan, but the pension of senior staff members will yield only \$45 per month. For medical care employees still have to pay high rates to private

doctors and hospitals. Several sources report that the British Broadcasting Corporation, under pressure from their employees in Russia, recently adopted an employment package that offers retirement and health benefits and salaries up to three times what RFE/RL offers. One RFE/RL reporter even mentioned talk of forming a labor union.

**Recommendation 2:** The Broadcasting Board of Governors should review the salary and benefits package of the Russian staff for Radio Free Europe/Radio Liberty and Voice of America compared to the current job market in the electronic media (Action: BBG)

## RADIO FREE EUROPE/RADIO LIBERTY MOSCOW RELATIONSHIP TO PRAGUE OFFICE

RFE/RL Moscow's staff perceives a lack of equality in the treatment of staff between their office and the Prague office with its program, editorial, and management functions. They assert that 90 percent of their programming is done in Russia, not Prague, where the editorial and management function are located. They claim that a large, less-challenged staff in Prague gets a better salary package, a housing allowance, and (most annoying) a Russian based in Prague gets a per diem when traveling in Russia that is double what a Russian citizen employee from Moscow would make on the same trip.

Moscow staff say that their cost efficient move into a new building came only because of Moscow management skills and because Washington leadership did not allow the bureaucratic Prague office to interfere. RFE/RL has a morale issue in Russia. The OIG team informally recommended that RFE/RL management in Washington review the concerns of the RFE/RL Russia staff, the salary packages of the two offices, and be prepared to address Russia-based staff concerns.



## PROGRAM ISSUES

### EMBASSY CONTACT

VOA and RFE/RL bureau leadership ask for more regular contact with the embassy and invitations to cover visits by senior U.S. officials. RFE/RL Russian staff would like to be seen as American journalists operating in Russia. They want to be sure that the Russian government knows that the embassy knows they are there. The OIG team has determined that in fact the embassy's public affairs section works closely with RFE/RL leadership regarding the new licensing regulations that discourage Russian stations from rebroadcasting RFE/RL programs. The information officer, public affairs officer, deputy chief of mission, and Ambassador have all met with visitors from the BBG and RFE/RL senior staff to support their application for additional frequencies. The press section has made a special effort to invite VOA and RFE/RL reporters to press opportunities and helped their correspondents get proper documentation. During the inspection, an RFE/RL reporter attended an embassy press event, and the VOA correspondent declined attending an event because of the distance from the bureau office.

With the personnel changes and the distraction of multiple, high-level official visits in recent months, some contacts between BBG operations in Russia and the embassy may have been interrupted. The OIG team recommended informally that the embassy's new assistant information officer for broadcasting arrange meetings with VOA and RFE/RL officials and make these contacts routine. Before the inspection team left Moscow, the officer had made his initial visit to the VOA office.

The embassy's English language officer and VOA's special English service are cooperating on three distinct programs: (1) a jointly funded speaker program tour by a VOA Special English personality to Russian centers for learning English; (2) a \$1,500 grant from Moscow's public affairs section for a Russian teacher-trainer at the State University at Kursk to encourage students to develop multimedia teaching materials about various aspects of American culture and language; and (3) a 15-volume collection of textbooks written for Russian schools by alumni of U.S. exchange

programs with seed money from the Department's Bureau of European and Eurasian Affairs. In addition, a Russian publisher has promised to publish any textbooks written as a result of this project. Each joint project advances both the embassy's and VOA's objectives.

## IMPACT OF BROADCASTING BOARD OF GOVERNORS PROGRAMS IN RUSSIA

Listenership for BBG products in Russia remains low: VOA TV (1.2 percent), VOA radio in Russian (1.2 percent), and not much better for RFE/RL (2.6 percent). Five percent is viewed as a minimum standard of success. TV3, which programs VOA television, has a potential audience of 70 million, but the 30-minute VOA programs are only on the air for a few hours per week. Competition from other stations, government-created obstacles, and questions about the attractiveness of BBG programs, as well as the difficulty of finding the frequencies of BBG products on the air, are all challenges. BBG broadcasters post schedules on their web sites, but Internet penetration in Russia is below 15 percent, and BBG listeners are not all computer owners.

FM is the most popular radio medium in Russia, but government pressure on BBG's FM band affiliates is causing them to cancel their affiliation. There is a separate Russian FM band where RFE/RL does broadcast, but only a fraction of radios in Russia receive it. One medium wave band station in St. Petersburg uses RFE/RL materials. Shortwave band radio is out-of-date technology and in decreasing use in most urban areas. There is still a small but loyal audience of shortwave listeners around the country, but frequencies change often, and announcements of changes are not well advertised, even by the embassy.

RFE/RL staffers argue that the low listenership statistics are not conclusive, and when things get worse in Russia more people will try to listen to RFE/RL. They say that the multiplier effect is what matters, and that serious media professionals seek out RFE/RL, which distributes their message. They maintain that RFE/RL is still a powerful brand name in Russia. What matters is not that one listens to RFE/RL every day, but that one knows that it is available around the clock, and "that when you need the truth, you can get it" and that they are there "just in case."

This is an environment in which a crusading journalist has just been murdered in an obviously professional "hit." The murdered Anna Politkovskaya's last interview was done at RFE/RL two days before her death. It dealt with the topic

of torture of government opponents, something no other station in Russia would cover. There is anecdotal evidence that many Russians turned to RFE/RL to hear the replays of the interview.

All elements of American public diplomacy are now under great scrutiny, with both the executive and legislative branches and private sector critics demanding proof of effectiveness. IBB's Office of Performance Review, VOA, and RFE/RL through contracts with Intermedia, and the Department's Bureau of Intelligence and Research all conduct frequent and detailed listener surveys and opinion polls. What seems to be missing is a standard to determine by any means other than "fan mail" and anecdotes whether U.S. programming to the region in the various languages is having an impact providing a product attractive to Russian audiences.

In the course of the inspection of the U.S. Mission in Russia, the OIG team asked a small sample of Russian employees of BBG entities, the embassy, and non-governmental organizations working with American educational exchange programs about their perceptions of BBG programming in Russia. They uniformly said that BBG broadcasting is not lively enough to compete for a younger audience and lacks the quality of today's Russian programming, particularly on television. They argue that even without political interference, BBG success will depend on its ability to attract an audience with programs that have more energy and youth appeal. In addition to more attractive news reports, content about life in America continues to be of interest. There are still Russians who are curious but uninformed about American society. Russian-dubbed American commercial programs about science, natural wonders, and a modern version of the old "Wild America," would be welcome. These programs seemed to have disappeared after budget cuts in Washington.

The OIG team informally recommended that VOA TV make further use of independent evaluators, using focus groups in Russia, to get a frank assessment of the professional quality and attractiveness of VOA TV programming to Russia.

RFE/RL, based on extensive research that indicates that young people in Russia do not turn to radio as a primary resource for news and information, has updated its programming in recent years to aim primarily at information-seekers age 35 and older.

There is a need to develop a better way to publicize both VOA and RFE/RL frequencies. The RFE/RL representative has just signed a contract for \$350,000 for advertising for RFE/RL. This is a small amount in the expensive Russian market, but a start.

RFE/RL and VOA are preparing for a future where the audience accesses the electronic media through the Internet. Moscow-produced material does appear on RFE/RL and VOA web sites, and those with Internet access can search for stories and play the sound version. RFE/RL has revamped its Russian-language web site for Russia to attract younger audiences, which research indicate increasingly turn to the Internet for news and information, in addition to television. Public use of these web sites is growing while television and FM radio broadcasting are being limited by the authorities. As Internet penetration expands in Russia, these web sites may very well become BBG's primary medium for reaching the Russian people.



## FORMAL RECOMMENDATIONS

**Recommendation 1:** The Voice of America should return the level of the cash allotment for the Moscow office to \$2,000. (Action: VOA)

**Recommendation 2:** The Broadcasting Board of Governors should review the salary and benefits package of the Russian staff for Radio Free Europe/Radio Liberty and Voice of America compared to the current job market in the electronic media (Action: BBG)



## INFORMAL RECOMMENDATIONS

Informal recommendations cover operational matters not requiring action by organizations outside the inspected unit and/or the parent regional bureau. Informal recommendations will not be subject to the OIG compliance process. However, any subsequent OIG inspection or on-site compliance review will assess the mission's progress in implementing the informal recommendations.

The office of the Moscow VOA bureau chief is far enough from downtown Moscow that the correspondent is unable to attend many Moscow news events including Embassy Moscow press conferences.

**Informal Recommendation 1:** Voice of America should review the cost-effectiveness of moving its office to a more central location in Moscow.

Since losing its embassy mail box by withdrawing from ICASS, the VOA office in Moscow has lost any safe or regular mail delivery other than a periodic Federal Express shipment from the Washington support office.

**Informal Recommendation 2:** Voice of America should identify and implement a more regular and secure mail delivery system for its Moscow bureau, perhaps by increasing the existing participation in the embassy's International Cooperation Administrative Support Services program.

In an environment where most electronic media professionals have better salary and benefit packages than are paid by RFE/RL, the Moscow staff feels it is being taken for granted and even discriminated against vis-a-vis Prague Russian service staff.

**Informal Recommendation 3:** Radio Free Europe/Radio Liberty management in Washington should respond to the concerns of the Radio Free Europe/Radio Liberty Russian staff about its salary, benefits package, and the perception that there is different treatment for different offices in Prague, Moscow, Kazan, and St. Petersburg.

Voice of America and Radio Free Europe/Radio Liberty representatives expressed an interest in more direct access to mission officers. The embassy has a new assistant information officer for broadcasting, and a new Foreign Service national information assistant for broadcasting is being hired. Both could support more regular contact.

**Informal Recommendation 4:** Embassy Moscow should visit the Voice of America and Radio Free Europe/Radio Liberty bureaus and the International Broadcasting Bureau's contract marketing representative and begin a regular exchange of messages on upcoming events and mutual concerns.

Sympathetic interlocutors report that VOA TV products do not match current Russian commercial TV quality and are not attractive enough to an audience to win placement.

**Informal Recommendation 5:** Voice of America should contract with independent evaluators to get a frank assessment of the professional quality and attractiveness of their television programming to Russia.

## PRINCIPAL OFFICIALS

	Name	Arrival Date
VOA Moscow Bureau Chief	Lisa McAdams	07/2002
Radio Free Europe/Radio Liberty Head of Representation in Russia	Elena I. Gloushkova	1996
IBB Marketing Representative in Russia	Oleg Rykov	1998



## ABBREVIATIONS

BBG	Broadcasting Board of Governors
IBB	International Broadcasting Bureau
ICASS	International Cooperative Administrative Support Services
OIG	Office of Inspector General
RFE/RL	Radio Free Europe/Radio Liberty
VOA	Voice of America

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