

PHILANTHROPY IN RUSSIA

Summary Report

INTRODUCTION

The rise of philanthropy in Russia since 1989 is remarkable. Today Russia has a full range of different types of philanthropic organization. Giving by individuals is increasing, both by newly wealthy industrialists and entrepreneurs and by middle-class people. Russia now has around 140,000 NGOs. All this has happened in the last 20 years.

The rise of middle-class giving is widely seen as the most significant development of the last ten years. Another success story is community philanthropy, and yet another is the emergence of fundraising public charities, or fundraising foundations.

The development of all types of philanthropy in Russia is closely bound up with government attitudes. On the one hand, the government encourages philanthropy that helps government to meet its goals, largely through support for service-providing NGOs. In December 2016 the president tasked the government to distribute 10 per cent of the budget for social services through NGOs and small businesses. On the other, human rights NGOs and NGOs that are foreign funded and engage in 'political activity' are discouraged, notably by the Foreign Agent Law.

This new report aims to provide an overview of philanthropy in Russia today, particularly shining a light on new areas and innovations, and the implications of these for its future role. It is a work in progress, not a finished document.



WHAT CURRENTLY EXISTS IN TERMS OF PHILANTHROPY IN RUSSIA?

Private foundations

While absolute numbers are hard to come by, it is clear that the number of foundations in Russia is growing. As philanthropy becomes more accepted, affluent Russians are increasingly likely to establish their own foundation, and many of them are now making significant grants. Initially, private foundations tended to focus primarily on patronage of the arts and the Orthodox Church, and support for orphanages, children's health, universities and museums. Over time they have extended the causes they support, funding education and scientific research, for example, and supporting NGOs. But there are still very few foundations or individuals willing to support progressive causes.

Foundations are also changing the way they work, becoming more systematic in their approach and building philanthropic strategies that can be assessed and evaluated. Since the introduction of new legislation in 2006, it has been possible to create endowments, but so far few foundations have done so.

Corporate philanthropy

Corporate philanthropy is a major sector in Russia, mostly carried out directly by companies rather than through corporate foundations. Much of it is very traditional, but many companies now take a more strategic approach, supporting professional NGOs and the infrastructure of the sector, giving a lot of money in an increasingly sophisticated way. Companies implement their social programmes mostly in the regions where they do business. Their activities tend to be more aligned with the business interests of the owner than those of private foundations.

Community foundations

The number of community foundations is expanding all the time, with 'rural funds' the fastest expanding type. Today 51 of Russia's 70 active community foundations work in small towns and rural areas, remote areas where there is almost no money, few NGOs and no big business. All money is raised locally, with funding coming from individuals, companies, and local and regional authorities.

Fundraising foundations

Also referred to as 'fundraising public charities', fundraising foundations have emerged in the last ten years. Founded as pure charities by active citizens with the aim of resolving acute social issues, many strong fundraising foundations in Russia have moved from simply providing services to trying to change the field. Examples include Vera Hospice Charity Fund, which works on palliative care and hospices; Volunteers to Help Orphaned Children

Foundation, which is transforming the way orphanages in Russia are run; and Starost v Radost (Enjoyable Ageing), which is working to promote modern standards of long-term care for the elderly in hospitals and at home. These fundraising foundations have wide public support. They fundraise successfully, largely from middle-class donors but also from corporations, and as a result government listens to them.

Impact investing and social entrepreneurship

Impact investing isn't really happening in Russia at the moment, but social enterprise is beginning to become fashionable, with government and business increasingly positive towards the idea. Many Russian social entrepreneurs offer services for socially vulnerable citizens, while others support environmental projects and the provision of cultural and educational activities. Our Future Foundation was founded in 2007 to promote social entrepreneurship in Russia, mainly by issuing long-term, interest-free loans to social entrepreneurs.

Social justice philanthropy

There is very little funding in this area. Traditionally, human rights organizations have been funded largely by foreign grants. Any charitable organization receiving funding from abroad and engaging in 'political activity' must now register and declare themselves as a 'foreign agent' under the new Foreign Agent Law, and this includes many human rights organizations.

Very few human rights organizations have fundraised successfully from the public. One that has carried out a highly successful crowdfunding campaign is OVD-info, which monitors public assemblies – the behaviour of the police, arrests and court hearings of civic activists, etc. Another successful fundraiser is Mother's Right Foundation.

Individual giving by ordinary people

The most significant trend in Russia over the last ten years is the rise in middle-class giving. CAF Russia's *Russia Giving 2017* found that 53 per cent of Russians had given in the last 12 months. Supporting children, supporting religious organizations/churches and helping the poor are the most popular causes, but support for the environment, disability and other so-called 'unpopular causes' is growing. While human rights organizations and advocacy organizations, often branded as 'foreign agents', are seen by many as hostile to the country, advocacy may be gaining public support through the back door as a result of the activities of the fundraising foundations, which combine service provision and advocacy and raise millions of rubles a year from the public.

Philanthropy infrastructure

The key organizations supporting philanthropy in Russia are CAF Russia and the Russian Donors Forum. There are also community foundation networks and NGO support centres and research centres. In the last few years quite a

few new infrastructure institutions have been started, from crowdfunding platforms to capacity-building and research initiatives. A couple of foundations dedicate some of their programme funding specifically to infrastructure, and the President's Grants Foundation has a budget line for it too. Despite these developments, most would agree this still isn't enough. The dearth of statistics and the lack of transparency and self-regulation are seen as the biggest problems. In addition, infrastructure is very unevenly distributed, largely concentrated in Moscow and a few other big cities.

WHAT IS DRIVING PHILANTHROPY IN RUSSIA?

Wealth is growing in Russia, leading to the emergence of new private foundations and a growing middle class. At the same time, the economic situation means there are fewer available resources to tackle a growing range of social problems.

Increased contribution of private citizens ...

The growth of private donations and citizens' activity is the key factor in the growth of philanthropy in Russia. Widespread support for the fundraising foundations is clear evidence of Russian citizens' increasing willingness to support those in need and to contribute to solving problems that the state can't solve.

One positive factor here is an increased openness about philanthropy, fostered by Giving Tuesday, held for the first time in Russia in 2016, with a focus on admitting you give to charity – something Russians tend not to do. The event was a huge success, and the second Giving Tuesday, in November 2017, built on the success of the first, with 1,800 partners and over 2,000 events in 200 cities and towns across Russia. Giving Tuesday has also helped galvanize a growing media interest in charity.

Another factor is the rapid growth of all kinds of fundraising technologies, including crowdfunding, helped by the rise of online banking and a growing choice of online donation platforms run by non-profits and commercial companies.

... and companies

Companies are also playing an increasing role. Surveys of around 60 large Russian and international companies show an increase in their total philanthropic budget from over 10 billion rubles in 2013 to 43.9 billion rubles in 2016 despite political and economic instability and a significant collapse in the Russian ruble in late 2014. A key driver for companies is the need to help create a social environment that will attract good qualified staff, especially in remote regions with weak social infrastructure. Another key factor is encouragement by the state, and this is also playing a key role in the growth of social business.

WHAT IS HOLDING BACK PHILANTHROPY IN RUSSIA?

An unfavourable legislative environment

A key factor holding back philanthropy in Russia is the legislative environment, both a lack of encouragement by way of tax incentives for legal entities taking part in charitable activities and active discouragement in the form of the Foreign Agent Law.

The latter has resulted in the withdrawal of much foreign funding from Russian NGOs, leaving human rights organizations largely devoid of funding – the ‘foreign agent’ classification makes it difficult for them to raise money from other sources. For family foundations and companies, supporting foreign agents is too risky, and presidential grants are rarely made to foreign agents. The ‘foreign agent’ designation also makes it hard to raise money from the public. It has also made Russian benefactors more risk averse and more likely to avoid funding NGOs with a social or advocacy agenda.

There are also burdensome reporting requirements and registration procedures both for Russian NGOs and for foreign NGOs operating in Russia.

Unwillingness to support progressive causes

There are still very few foundations or individuals willing to support progressive causes. One foundation that did so was the Open Russia Foundation. Unfortunately the activities of the foundation along with Khordorkovsky’s political ambitions and public statements led to the closure of the foundation in 2003. Since then Russian philanthropists have tended to avoid philanthropic activities that might be deemed political – and the decision to close the Dynasty Foundation in October 2015, following its designation as a ‘foreign agent’, made foundations even more risk averse.

Other factors

Other challenges facing the growth of philanthropy in Russia include:

- *Mistrust of NGOs.* The most important barriers to individual giving, according to CAF Russia research carried out in 2014, are a lack of trust in NGOs and people not understanding what they do and how important it is. As many as 65 per cent of Russians are convinced that money given to an NGO will never reach the end beneficiary. As a result people often prefer to give directly to beneficiaries.
- *A lack of professionalism,* both in NGOs and in foundations. The lack of self-regulation, transparency, responsibility and common ethical norms is an issue.
- *The unstable economic situation,* which makes both companies and individuals uncertain about their ability to give.

- *The newness of the philanthropy sector.* In the case of social business, for example, investors are only slowly realizing the importance and effectiveness of social investment, while social projects are often inadequately prepared for investment and social entrepreneurs tend to be wary of investors.

WHAT IS THE POTENTIAL OF PHILANTHROPY IN RUSSIA?

Private foundations

Fostering social innovation is seen as a key role for Russian foundations. One way to achieve greater impact is to have the innovative models foundations create adopted by the state, for example the Timchenko Foundation's project on remote monitoring of chronic diseases in elderly people in rural areas. Foundations can also become advocates for the most vulnerable social groups.

The growing professionalization of foundations will make it more possible for them to play a bigger role in society. Some private foundations such as the Vladimir Potanin Foundation are beginning to take a more systematic and strategic approach. In addition to giving financial support, they are helping grant recipients and partners grow their organizational capability; they are emphasizing the importance of transparency and professionalism in everything; and evaluation is increasingly seen as central to good foundation practice. The Dynasty Foundation was the first Russian private foundation to have a board of trustees appointed from members of the public.

Companies

Companies are also becoming more professional in the way they carry out their philanthropic activities. One clear trend is an increasing use of grants competitions in distributing philanthropic funds and selecting programmes to support. Other trends are a growing involvement in partnership programmes, both with other companies and with the state and communities. Development of better mechanisms for collaboration with the government would help here. Another key issue, for private foundations as well as companies, is establishing better systems for distributing information about what works and what doesn't.

Community foundations

The potential for developing community foundations is huge, especially in rural areas, given the ongoing search for effective ways to mobilize resources and effect social change. Community foundations are seen as catalysing local development, local initiatives and local giving. They bring together the community on the one hand and local government and business on the other with the shared goal of attracting local and external resources for solving social problems and developing the area. Despite small budgets, 90 per cent of small community foundations use grant

competitions to support a broad menu of charitable projects and residents' initiatives. Community foundations are extremely well networked, which enables good ideas and good practices to be shared and spread.

Positive attitudes to community philanthropy have undoubtedly been helped by the fact that Russian community foundations have never had foreign money for endowments and have therefore not been perceived as a foreign import, as has occurred in some other places.

Fundraising foundations

These organizations already have wide public support and some significant achievements to their name. Vera Hospice Charity Fund, for example, has done a lot to promote implementation of changes in government policies on medication, so that doctors are no longer afraid of being prosecuted for prescribing morphine. Given the growth of individual giving, there seems to be great potential for the fundraising foundations to expand their activities. They are highly professional and well organized, and crucially they succeed in convincing the public that the issue they are involved with is urgent and that they do offer realistic working solutions as well as criticism.

Impact investing

There are some who see great potential for impact investing and social business to effectively complement the state's efforts to solve social problems, with simple mechanisms for outsourcing state social services to social enterprises – though this is far removed from what exists today. One encouraging factor is government support. Government likes the idea of social business, seeing the potential to outsource its social functions to private companies that can provide a higher quality of social services more cheaply. As a result, some legislative regulation of the area is starting to appear, and the government has created the Agency for Strategic Initiatives, a non-profit organization, to work in this area. Some big companies are also actively supporting social entrepreneurship.

Social justice philanthropy

Although this is very much in its infancy, commentators are optimistic that fundraising from the public for human rights causes will grow in the next five years. OVD-info's highly successful crowdfunding campaign shows that fundraising from the public is possible. However, the most successful fundraiser is fbk.info, which works on politically sensitive corruption issues. This isn't a traditional human rights NGO because Alexei Navalny is a young, popular political leader not a human rights activist, but its fundraising success does show that it's possible to win public support for a politically sensitive issue like corruption.

Individual giving

Most commentators see great potential for the growth of giving by ordinary, middle-class people as their incomes rise and giving becomes easy and fast owing to technological advances such as crowdfunding and online giving.

If the potential for individual giving is to be realized, it will be important to encourage people to give regularly. The most popular methods of giving in 2017 were by SMS (40 per cent), followed by giving online with a bank/credit card (34 per cent), and putting money into a donation box in a public place (31 per cent). Direct debit is the least common way to give. The preferred methods of giving reflect the fact that most Russians give spontaneously not regularly. However, the fact that people are increasingly used to giving online is a positive factor.

Another key issue is ensuring that people have high-quality information about what NGOs do, enabling them to feel confident that NGOs will use money for the purpose for which it was given. Caring about the cause is the most common reason for giving money, cited by almost half (47 per cent) of Russian donors surveyed by CAF Russia, and knowing for sure how their money will be spent is the main thing that would encourage Russians to donate more money, time or goods (59 per cent).

It is also important for employers to recognize the key role they can play in encouraging volunteering and payroll giving and helping to create a culture of individual giving.

PEOPLE CONSULTED FOR THIS STUDY

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To read the full report, visit <http://www.psjp.org/resources/philanthropy-in-russia/>

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