

PHILANTHROPY IN RUSSIA

A working paper

Caroline Hartnell



Philanthropy for Social Justice and Peace

in association with CAF Russia, *Alliance* and WINGS

About the author

Caroline Hartnell was the editor of *Alliance* magazine from 1998 to 2015. She is now an editorial consultant, working with Philanthropy for Social Justice and Peace and the Webb Memorial Trust, among others. She is also one of the founders of the Olga Alexeeva Memorial Prize, organized by *Alliance*.

Cover photo

One of over 120 events of #GivingTuesday, held for the first time in Russia in 2016. The event took place in a creative cluster named Flacon in Moscow and was aimed at training young people as art volunteers to help museums and other cultural institutions.

Photo credit: CAF Russia

This work is licensed under a Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International License.



www.creativecommons.org

CONTENTS

CONTENTS	1
INTRODUCTION	3
GOVERNMENT ATTITUDES TO PHILANTHROPY	5
ABOUT THIS STUDY	6
WHAT CURRENTLY EXISTS IN TERMS OF PHILANTHROPY IN RUSSIA?	8
FOUNDATIONS IN RUSSIA	8
PRIVATE FOUNDATIONS	9
<i>What causes do they support?</i>	9
<i>Changing the way they work</i>	10
<i>Implementing innovative and strategic programmes</i>	11
CORPORATE PHILANTHROPY	12
<i>Addressing the knowledge gap</i>	13
<i>Increasing professionalization</i>	14
<i>Corporate philanthropy in the regions</i>	15
<i>Corporate philanthropy in big cities</i>	16
IMPACT INVESTING AND SOCIAL ENTREPRENEURSHIP	16
<i>Government interest in social entrepreneurship</i>	16
COMMUNITY PHILANTHROPY	19
<i>Community philanthropy as part of local self-governance</i>	20
<i>Government attitudes</i>	20
<i>Emergence of local funds</i>	21
<i>Support for CF development</i>	23
SOCIAL JUSTICE PHILANTHROPY	23
<i>What are the prospects of developing Russian funding?</i>	24
<i>Surviving as a foreign agent</i>	25
FUNDRAISING FOUNDATIONS	27
<i>What role are they playing?</i>	29
<i>Why are they so successful?</i>	31
INDIVIDUAL GIVING BY ORDINARY PEOPLE	31
<i>How are people giving?</i>	32
<i>Why do people give?</i>	33
<i>Giving Tuesday</i>	33
<i>What are people giving to?</i>	35
PHILANTHROPY INFRASTRUCTURE	35
<i>Long established</i>	35
... <i>and new</i>	36
WHAT IS DRIVING PHILANTHROPY IN RUSSIA?	37
AN INCREASED WILLINGNESS TO HELP	37
<i>Among the public</i>	37
<i>Among the business community</i>	37
AN IMPROVING ENVIRONMENT FOR PHILANTHROPY	38

WHAT IS HOLDING BACK PHILANTHROPY IN RUSSIA?	39
LACK OF CONFIDENCE IN NGOS AND FOUNDATIONS.....	39
THE ECONOMIC SITUATION	40
ATTITUDES TO GIVING.....	40
LACK OF EXPERIENCE OF PHILANTHROPY	40
LACK OF PHILANTHROPY INFRASTRUCTURE	41
GOVERNMENT ATTITUDES AND REGULATORY ISSUES.....	42
<i>Lack of tax incentives.....</i>	<i>42</i>
<i>Discouragement by the state.....</i>	<i>42</i>
WHAT IS THE POTENTIAL OF PHILANTHROPY IN RUSSIA?	44
THE POTENTIAL FOR INDIVIDUAL GIVING	44
<i>What is needed to realize this potential?</i>	<i>44</i>
<i>Trust or confidence?</i>	<i>45</i>
WHAT ROLE FOR FOUNDATIONS?	45
<i>What is needed?</i>	<i>46</i>
WHAT ROLE FOR SOCIAL JUSTICE PHILANTHROPY?	46
WHAT ROLE FOR COMMUNITY PHILANTHROPY?.....	47
WHAT ROLE FOR IMPACT INVESTING?	47
<i>What is needed?</i>	<i>48</i>
PEOPLE CONSULTED FOR THIS STUDY	49

INTRODUCTION

On the face of it, Russia does not appear to be a nation of givers. Charities Aid Foundation's *2017 World Giving Index*,¹ which measures individual giving in terms of money, time and helping a stranger, ranks the Russian Federation 124th out of 139 countries surveyed, up from 126th in 2016. In terms of giving money, Russia ranks 104th.

But this ranking has to be put in the context of Russia's recent history. In Russia, modern foundations emerged only after decades of Communism. There was no giving during Soviet times. Under the Communist regime, public well-being was considered the sole responsibility of the state so the Soviet Union did not permit organized charity or philanthropy. As Jamey Gambrell put it: 'in Soviet times ... "charity" or "patronage" was considered a demeaning, manipulative capitalist practice and was forbidden.'²

So Russia has little legacy of giving. Before the revolution of 1917, there had been a Russian tradition of giving by aristocratic families and wealthy industrialists. While much of that giving went to traditional causes like hospitals and the arts, wealthy Russians also made contributions for social and public needs, and companies provided services for workers. But it was 70 years before traditions of giving started to be rebuilt. 'Pre-revolutionary giving is more a matter of history than a live legacy,' says Maria Chertok, director of CAF Russia.

The fall of the Communist regime was accompanied by the rise of a new, wealthy group of industrialists and entrepreneurs. By the mid-1990s, giving by wealthy individuals and companies was rising – despite the absence of tax benefits for giving. As described in a 2014 WINGS/Foundation Center report on philanthropy in emerging economies,³ giving increased rapidly after 2000, following the privatization of state-owned companies and the accumulation of great wealth by the so-called 'oligarchs' and other business entrepreneurs. While corporate giving began to substitute for the former role of state-owned enterprises in providing social services to the communities in which they operated, new private foundations based on individual and family wealth were created that were distinct from corporate giving.

¹ CAF (2017) *World Giving Index 2017*: <https://www.cafonline.org/about-us/publications/2017-publications/caf-world-giving-index-2017>

² Jamey Gambrell (Fall 2004) 'Philanthropy in Russia', *Carnegie Reporter*, Vol 3, No 1. Quoted in the WINGS/Foundation Center report cited in note 3.

³ WINGS/Foundation Center (2014) *Charity and Philanthropy in Russia, China, India and Brazil, 2014*: <http://foundationcenter.issuelab.org/resource/charity-and-philanthropy-in-russia-china-india-and-brazil.html>

The number of civil society organizations in Russia has also grown dramatically since the fall of Communism. According to one estimate, Russia now has as many as 220,000 NGOs of all types, including a lively media and a variety of outspoken advocacy groups⁴ – though 140,000 might be a more realistic estimate.

The rise of philanthropy since 1989 is remarkable. Today Russia has a full range of different types of philanthropic organization – private and corporate foundations, fundraising foundations, endowment foundations, community foundations. Business is also playing a role through corporate social responsibility, moving from simple aid to grantmaking, says Oksana Oracheva, general director of the Vladimir Potanin Foundation. ‘Individual giving is also developing, both giving by wealthy individuals and mass giving.’ In Chertok’s view, ‘the most significant development in the last ten years is the rise in middle-class giving.’

Another success story is community philanthropy. And yet another specifically Russian development is the recent emergence of fundraising public charities, or fundraising foundations, described below. These are extending the scope of individual giving and opening the door to popular support for advocacy. They are making use of the full range of fundraising tools, including online giving and crowdfunding.

Some areas of philanthropy such as impact investing and venture philanthropy are almost non-existent, while there are a few instances of philanthropy for progressive causes, or social justice philanthropy.

Philanthropy expert Viacheslav Bakhmin sees the dynamic as ‘rather positive’ in all areas, with charity becoming fashionable and IT widely used – though ‘the general scale of philanthropy development is comparatively modest compared to what is happening in more developed countries’.

Oracheva agrees that philanthropy is becoming more popular and attitudes to it more positive. ‘People have more empathy with it; they are becoming more involved through corporate volunteerism and the giving of small donations. They don’t think of philanthropic support as only about big money. We still have limitations,’ she admits. ‘Regulation is complicated and the government is sending mixed messages. But we are going in the right direction.’

Chertok also reports mixed messages from the government. ‘They like philanthropy as long as it’s not foreign funded and it’s helping government to meet its goals,’ she says. As for society in general, she feels ‘the public are not aware enough to have much of an opinion’. But she agrees things are going in the right direction: ‘There is

⁴ ‘NGO Law Monitor: Russia’, International Center for Non-Profit Law: www.icnl.org/research/monitor/russia.html. Quoted in WINGS/Foundation Center 2014 report.

still mistrust in NGOs but it's getting less and the fundraising foundations are helping.'

In fact, she says, 'government itself provides considerable amounts of funding for NGOs at federal, regional and local levels – a relatively recent phenomenon.' There is also some funding from the EU and from foreign governments through embassies, she adds.

GOVERNMENT ATTITUDES TO PHILANTHROPY

The development of all types of philanthropy in Russia is closely bound up with government attitudes, positive and negative. Maria Chertok is quoted above as saying: 'They [the government] like philanthropy as long as it's not foreign funded and it's helping government to meet its goals.' Oksana Oracheva agrees with this view: 'If foundations are bringing money to sectors where the government lacks funding, the attitude is favourable.'

The key distinction seems to be between service-providing NGOs, on the one hand, and human rights NGOs and NGOs that engage in 'political activity' on the other. Natalia Taubina, director of the Public Verdict Foundation, instances healthcare as the clearest example of Russian charities 'trying to solve the problems of needy people where the state does not have enough capacity and will to do it. The state is more or less OK in providing ordinary medical assistance,' she says, 'but for complex diseases it does not have enough resources, competency or good will. As a result people are suffering and even dying. We have several very big, successful and recognized foundations which are collecting huge amount of funds for providing medical care to children with complex diseases, people with cancer, and old people. In my opinion,' she concludes, 'the state is happy to have such foundations since they solve many problems which the state should solve.'

So, on the one hand, the government is encouraging philanthropy. Donations, grants and funds given for 'charitable purposes' are tax exempt for the beneficiary. Several commentators mention Vladimir Putin's official statement to the Federal Assembly in December 2016 that charity funds must be supported:⁵

'I ask the Civic Chamber and the Agency for Strategic Initiatives to become proactive in supporting volunteer organisations, charities and non-profits. Through their commitment and generosity, people who contribute to such projects promote collective efforts that Russia needs so much right now. ... It is necessary to remove all barriers that undermine the development of the volunteer movement, and also provide every assistance non-profit organisations might need. ... Starting next year, non-profits with the required experience will be authorised to provide social services

⁵ <http://en.kremlin.ru/events/president/news/53379>

funded from the budget. ... What we all want is to improve the quality of social services by engaging non-profits in this sphere. I instruct the Government and the Parliament to finalise efforts to devise a clear legal framework for non-profit organisations as providers of socially important services.'

The president has tasked the government to distribute 10 per cent of the budget for social services through NGOs and small businesses, reports Viacheslav Bakhmin. Not that either side is necessarily ready for this, in his view. 'At present charitable organizations are not ready to take such a large sum of money and digest it,' he says. 'At the moment they are more boutique organizations for a limited number of target groups. Nor is the state ready to adopt service-providing NGOs into their system; to do this, they need to change regulations, criteria for effectiveness, etc.'

On the other hand, there is the Foreign Agent Law, which requires NGOs that receive foreign donations and engage in 'political activity' to register and declare themselves as foreign agents. The majority of human rights organizations are now classified as foreign agents, says Taubina, 'which makes it very difficult for them to operate'.

According to Bakhmin, the Foreign Agent Law has been very harmful for the whole of civil society. 'Distrust of NGOs exists partly because of the foreign agent branding of NGOs as hostile to the country.' 'Charitable organizations' that give assistance to vulnerable people, including children, are deliberately excluded from the law on foreign agents, and the public view of them is more favourable, he says. Although lobbying and advocacy are considered political, such activities could be part of a charitable organization's work, and they are not included under the new version of the Foreign Agent Law.

Grigory Okhotin, co-founder of OVD-info, is less positive about the government's attitude even to service-providing NGOs. 'With civil society organizations working on human rights, the Russian state is simply the enemy,' he says. 'But organizations working on social issues also experience troubles with the state. The state is not favourable to service-providing NGOs. Legislation on financial transactions is difficult for everyone. The state is controlling, not supportive. It needs services to be provided and it can't afford to do it all itself. But they don't like it when leaders of NGOs are too independent, or too prominent and well known. The state wants to give NGOs some opportunity to help them cut their budgets but they don't want to encourage them too much.'

ABOUT THIS STUDY

The aim of this study is to provide an overview of the current state of philanthropy in Russia, particularly shining a light on new areas and innovation within philanthropy, and the implications of these for its future role. We hope this will enable us to better

address the question: how do we support and build philanthropy's role as an agent of social change?

While we draw on existing reports where available – and there are many that are in Russian and not translated into English – the main aim is to throw light on Russian philanthropy through conversations with people who have been trying to promote, support or strengthen different areas of philanthropy. We asked them what currently exists in terms of their particular area of philanthropy and what role it is playing in relation to the state and the private sector; what is driving it and what is holding it back; and what potential role it could play and what is needed for the potential to be realized. We also asked for examples of outstanding achievements.

The areas covered include various forms of giving by the wealthy, mainly through private foundations and corporate philanthropy; community philanthropy; social justice philanthropy; giving by middle-class individuals, and the new breed of fundraising foundations.

This working paper is a work in progress, not a finished document. We hope that others reading it will comment and add to it. The insights presented here can only be a starting point, to be built on by others.

WHAT CURRENTLY EXISTS IN TERMS OF PHILANTHROPY IN RUSSIA?

FOUNDATIONS IN RUSSIA

The Russian Donors Forum distinguishes five different types of foundation in Russia; it works primarily with the first two types:

- **Private foundations**, founded by one person or family to conduct charitable activities predominantly out of their own funds.
- **Corporate foundations**, founded by companies to carry out charitable programmes.
- **Community foundations**, operating in a limited geographic region and gathering funds from local businesses and citizens in order to finance social and charitable projects.
- **Fundraising foundations**, also referred to as 'fundraising public charities', created to bring in charitable donations from more companies and citizens in the interests of a specific group of beneficiaries.
- **Endowment foundations**, created according to the 2006 Law on Endowments.

Maria Chertok distinguishes another category, hybrid foundations, where the founding donors aren't rich enough to fund the whole thing so they also raise money from the public. This represents a second wave of foundations as less wealthy people get involved in philanthropy, she says.

While absolute numbers may be hard to come by, it is clear that numbers are growing. 'From year to year we observe the growth in the number of philanthropy institutions,' says Alexandra Boldyreva, executive director of the Russian Donors Forum. Corporate donors are the biggest group, says Chertok, and community foundations are also developing fast. There are now 70, and regional associations are being formed. Private foundations are increasing annually, says Viacheslav Bakhmin, because it is fashionable for rich people to have their own foundation. Although new foundations are being established all the time, says Oksana Oracheva, 'it is not as many as we'd like to have. The number is growing but not rapidly.'

Private and corporate foundations are often difficult to distinguish. Corporate foundations are closer to the business interests of the owner. This might affect the geographic area where the foundation works or the foundation might do some joint projects with the business. While the activities of both corporate and private foundations may be directed at promoting the reputation of their founders, ie companies or private persons, this is more characteristic of corporate foundations,

says Maria Morozova, managing director of the Elena & Gennady Timchenko Foundation. ‘Private charitable work is considered, in Russia, to be a private affair that does not involve any publicity,’ she says. ‘This is especially true for private charitable work in the provinces.’

Since the adoption of the new Law on Endowments in 2006, dozens of endowments have been created, mostly in support of education (universities) and culture (museums). So far Russian foundations have not started establishing endowments to support their grantmaking.

PRIVATE FOUNDATIONS

By the end of 2006, affluent Russians had established over 20 foundations, some of which were making significant grants.⁶ These included the Vladimir Potanin Foundation, based on wealth from Norilsk Nickel and Rosbank; the Foundation for Cultural Initiatives, created by Mikhail Prokhorov of Norilsk Mining Company; the Dynasty Foundation, established by Dmitry Zimin, who made a fortune in wireless telecommunications; and the Open Russia Foundation, established in 2001 by Mikhail Khordorkovsky and other wealthy shareholders of oil giant Yukos.

What causes do they support?

Initially, the new foundations focused primarily on patronage of the arts and the Orthodox Church, 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, says Maria Chertok. ‘Progressive causes are more likely to be supported where money is raised from the public. A prime example is Alexey Navalny, a political leader of the younger generation and not himself a wealthy person. His foundation carries out and publishes anti-corruption investigations, raising money from the public for this.’

One foundation that did support human rights organizations, political research on legislative proposals, training programmes for journalists, and help for victims of government abuse, among other things, was the Open Russia Foundation. Unfortunately the activities of the foundation along with Khordorkovsky’s political ambitions and public statements had serious political and legal repercussions. Yukos was taken over by the Russian government, Open Russia was disbanded, and Khordorkovsky was jailed from 2003 to 2013.⁷ Since then Russian philanthropists have tended to avoid philanthropic activities that might be deemed political, especially the funding of advocacy groups.

⁶ WINGS/Foundation Center 2014 report.

⁷ WINGS/Foundation Center 2014 report.

The closure of the Dynasty Foundation in October 2015, following its designation as a 'foreign agent', made foundations even more risk averse in terms of their strategic direction. Dynasty's main focus was science – from support to scientists to popular science. But the reason given for the foreign agent designation was its support for the organization Liberal Mission, which held lectures on modern politics in 2014, and the fact that Zimin's contributions to the fund came from his foreign bank account. Rather than carry the label, the board decided to liquidate the foundation. A further lesson foundations took from this was not to keep their endowments abroad.

However, 'there is one good ending to this bad story,' says Maria Chertok. 'Dynasty's closure motivated two different groups to start new foundations working on the same issues.' Trajectory, which works on science programmes for school children and also on programmes in culture and heritage, was started by former Dynasty staff members. Evolution was started by a group of scientists to run popular science programmes and counter 'fake' science and prejudices. 'They publicly state they want to continue what Dynasty started and actually raise lots of public donations.'

Changing the way they work

In addition to extending the causes they support, foundations have changed in the way they work. The last ten years have seen steady growth in the quality of their work, says Alexandra Boldyreva. Foundations are taking a more systematic approach, and 'a lot of philanthropy funds are no longer limited to allocating financial means, but are also helping their grant recipients and partners grow their organizational capability and become stronger'. Chertok talks of foundations still working in traditional areas but 'in an interesting, progressive way'.

For Oksana Oracheva, what distinguishes the Vladimir Potanin Foundation is the way it works. Central to its approach are 'open competitions for grants, transparency, monitoring results and analysing impact, integration of research, involving experts, being publicly explicit about what you're doing, having different voices from the foundation heard, professionalism in everything'. In her view few other foundations in Russia are working like this – the Dynasty Foundation is one that was, before its closure in October 2015. Dynasty was the first Russian private foundation to have a board of trustees appointed from members of the public, and in 2013 Dmitry Zimin was the first Russian philanthropist to be awarded the Andrew Carnegie Medal of Philanthropy. 'There are some others working in similar areas,' says Oracheva, 'but the approach would be different.'

Russian foundations operate their own programmes and make grants, says Oracheva, with grantmaking now becoming more popular among corporates. The Vladimir Potanin Foundation has various grantmaking programmes, which are implemented by organizations receiving grants from the foundation to do so. Some calls for proposals for these programmes are administered by other organizations. The foundation also has fellowships which it administers itself. 'Some foundations

are operational; they provide, for example, psychological services for children. Potanin doesn't do this,' she says.

Implementing innovative and strategic programmes

According to Maria Morozova, private/family foundations are mostly interested in promoting the humanist values that their founders embrace, rarely related to their business interests. They do this by implementing innovative and strategic programmes. For her, as for Oracheva, being innovative and strategic is all about the approach. 'The very fact of institutionalization of private philanthropic intentions implies going beyond direct assistance and searching for something that can be left behind,' she explains. While there is 'a general public belief (in a certain way connected to the Orthodox mindset) that "one should do charity silently", the public nature of a professional institution requires achieving added value ("beyond money"), which it should promote and not be "shy" in talking about openly.

'If we look at the most "traditional" Russian private foundations like Vladimir Potanin's, Ruben Vardanyan's [RVVZ Foundation] or Dmitry Zimin's, they have all sought to build philanthropic strategies, the results of which can now be assessed and evaluated.' Morozova also mentions 'a number of "newcomers" to the philanthropic field like the Smirnov Foundation and the Rybakov Foundation, who are eagerly investing in the professionalization of the non-profit sector and its infrastructure'. The Rybakov Foundation also has a project to revive the culture of mentoring in Russia. Another important consideration for Morozova is that when a professional foundation chooses its main area for support, it has to face the fact that the social problems exist not so much due to the lack of money but due to systemic issues requiring a long-term approach.

For its part, says Morozova, the Timchenko Foundation is committed to attaining 'meaningful results that could be further developed and multiplied, with a sustainable, long-lasting effect'. Although it is not trying to replace the state, 'yet we are ready to supplement its efforts in those areas where we may create synergy'. Its preference is to 'go to areas where there are few alternative resources for development and social assistance, first and foremost remote regions with small towns and villages'. The foundation places a lot of emphasis on training and on exchange of best practices, which is 'often of more value for our beneficiaries than financial assistance'. It is 'open to partnerships with interested parties', the state or business.

One way for private foundations to achieve greater impact, says Morozova, is to have the innovative models they create adopted by the state. But how often does this happen? 'This has been happening gradually and, of course, not on a massive scale,' she admits. However, she cites the Vera Hospice Charity Fund and Starost v Radost (Enjoyable Ageing) Foundation as 'spectacular examples'.

EXAMPLES OF THE STATE ADOPTING INNOVATIVE MODELS DEVELOPED BY FOUNDATIONS

The Timchenko Foundation has itself developed a number of models that have been adopted by the state, says Maria Mozorova. One example is the project on remote monitoring of chronic diseases in elderly people in rural areas. This involves non-professional ‘paramedics’ in villages taking basic measurements (blood pressure, glucose level, etc) and filling in a questionnaire on health and social status on a smartphone, which is then sent to the local hospital. This helps identify major chronic health problems. As over 20 per cent of Russia’s population live in remote regions where there is limited access to health services, the service is in high demand. Some regional health authorities have agreed to include it in the compulsory medical insurance tariffs, and this lays the groundwork for the project’s long-term sustainability.

Another success story to which the Timchenko Foundation contributed relates to attitudes to orphans. Many years’ work by dozens of NGOs demonstrated the value of preparing children in orphanages for family placements, assisting substitute families, and supporting care leavers. As a result, orphanages began to place more emphasis on searching for proper families for children. A 2014 government decree⁸ secured the model at the state level, reforming the existing system of facilities for orphans and children without parental care and shifting the emphasis to family placement. Another innovative approach, which the Timchenko Foundation has been actively promoting since 2015, is the child’s participation in decision making while developing the action plan for his/her security.

A particular area of foundation practice mentioned in the 2015 report of the Russian Donors Forum is evaluation. A survey involving 58 senior foundation leaders plus eight in-depth interviews with foundation leaders showed that more than 80 per cent of the surveyed organizations consider evaluation an integral part of the management and development of an organization, despite the fact that the maturity level of institutional evaluation in most foundations is still relatively low.

CORPORATE PHILANTHROPY

Corporate philanthropy is a major sector in Russia, says Maria Chertok, and 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,

⁸ #481 On Activities Of Institutions For Orphans And Children Without Parental Care And On Placing There Children Without Parental Care.

supporting professional NGOs and the infrastructure of the sector, giving a lot of money in an increasingly sophisticated way.’

All major corporations in Russia actively invest in corporate social responsibility (CSR) programmes, says Elena Chernyshkova, executive director of the Sistema Foundation, the foundation of a major holding company, Sistema. According to CAF Russia, she says, the largest Russian companies devote from 5 to 10 per cent of their net profit to CSR and corporate philanthropy.

The fact that the majority of large business founders are alive and often still own and run their businesses can lead to what she describes as ‘a special kind of mixed format of CSR and philanthropic activities funded by Russian companies. In a way, being also socially responsible citizens, these business founders sometimes do fund their own philanthropic ideas and missions through a corporate “pocket”.’

Addressing the knowledge gap

In Russia, says Alexandra Boldyreva, although businesses traditionally play a significant role in the development of philanthropy, too little is known about what companies do and how they support social welfare. That is why the Top Corporate Award Project was launched in 2006 by the Russian Donors Forum, PwC and *Vedomosti Business Daily*, the objective being to identify the best corporate philanthropic programmes and bring them to the attention of the public, businesses, government authorities and media. Every year the project reports on the programmes of Russian companies. In 2014, the St Petersburg University Graduate School of Management put together a special report based on the project findings.

The 2014 ‘Leaders of Corporate Philanthropy’ project surveyed 59 Russian and international companies with a turnover exceeding 100 million rubles (around US\$3.3 million) in 2013. Actual amounts of philanthropic spending are rarely disclosed, but the total philanthropic budget of all companies surveyed exceeded 10 billion rubles in 2013. This figure has increased each year since then, to 15.5 billion rubles in 2014, 19.9 billion rubles in 2015 and – a huge increase – 43.9 billion rubles in 2016 (around US\$746 million). Encouragingly, businesses don’t seem to have made the cuts in their philanthropic budgets that were predicted as a result of political and economic instability and a significant collapse in the Russian ruble in late 2014.

For 95 per cent of companies, the objective of corporate philanthropy is to create social value through addressing a specific social or environmental issue (88 per cent in 2014), while 57 per cent mentioned increasing business sustainability and developing the company’s regions of operation. Almost 30 per cent said they were motivated by increasing demands from local communities and NGOs, government stimulation of corporate philanthropy, and the need to maintain a positive profile. The least popular goal is to assist and ‘insure’ the state in social challenges (8 per cent).

In 2014, company priorities overall were education (88 per cent), vulnerable population groups (85 per cent), and community development and the environment (70 per cent). In 2016 companies were still focusing their philanthropic activities in these same areas. The increasing number of ecological projects aimed at protection of natural resources and enhancing responsible environmental management may partly be due to the year 2017 being declared as a 'Year of Ecology in Russia'. Priorities depend to a large extent on the specific industries to which the companies belong. For example, support of local communities is particularly important for extractive companies as they are usually the main employers in the regions of their operation – though they support virtually all areas of philanthropy.

Increasing professionalization

The 2016 report reveals a move towards increasing transparency, with companies more likely to enshrine their corporate philanthropy strategies in publicly available form, either in a specific plan for their philanthropy or as part of a sustainable development strategy. In 2014, while almost all corporate participants had a formalized philanthropic strategy, these were reflected largely in internal regulations and policies.

One clear trend is an increasing use of grants competitions in distributing philanthropic funds and selecting programmes to support. Grantmaking was used by more than 40 per cent of Russian companies that took part in the research in 2015, and by more than 55 per cent in 2016. Companies say these grants can trigger an increase in social activity in the population, actively involving citizens in design and implementation of effective social transformations.

Another trend is a growing involvement in partnership programmes (89 per cent of companies in 2016, up from 78 per cent in 2014). Half of companies implement partner programmes with other companies and 56 per cent are involved in projects with state participation, while 64 per cent partner with NGOs. There are also instances of three-sector partnerships including companies, government and communities, says Boldyreva.

Also evident is the increasing use of evaluation at different stages of project implementation. For example, evaluation of the initial situation rose from 54 per cent in 2014 to 73 per cent in 2015, while evaluation of social impact rose by 32 per cent in just a year, from 45 per cent in 2014 to 77 per cent in 2015. The surge of interest in performance assessment may well have been stimulated by the 2015 International Year of Evaluation.

Companies have also adopted new ways of managing their philanthropic programmes to enhance their efficiency and social impact. For example, in 2015 the number of companies that charged a specific department with philanthropy and social activities increased by 17 per cent, while the number charging a specific staff member with this mission increased by 24 per cent.

Some big companies have established their own foundations to manage their philanthropy, but these are rather a minority as establishing a corporate foundation is not encouraged by any tax benefits.

OUTSTANDING ACHIEVEMENTS OF CORPORATE PHILANTHROPY IN RUSSIA

Elena Chernyshkova identifies a number of projects that have led to significant social change in the target areas. 'All of them involve a social technology which can be expanded to other regions and to the national level,' she says.

First, she mentions two examples from Severstal: their Agency for Urban Development's non-commercial partnership with the City of Cherepovets to support the development of small and medium businesses, and Severstal's Museums of North Russia grants programme.

She also mentions the Robotech initiative, funded by Volnoye delo Foundation, and Sistema Charitable Foundation's own Lift to the Future programme, which consists of children's charity festivals held in different regions of Russia and uniting different Sistema businesses under a single charitable format.

Corporate philanthropy in the regions

Companies implement their social programmes mostly in the regions where their founders do business, says Maria Morozova. In her view, their programmes tend to be subordinate to the interests of the business and they are directed to company employees and their families as well as to regional communities.

The regional authorities' view of corporate philanthropy has changed as they have become more professional, she says. Until recently, the regional authorities were inclined to regard them as a supplementary resource that could help make up the shortfall in financing local social programmes. More recently, the larger companies have started offering strategic, long-term, well-considered programmes, and regional authorities have become partners in implementing them. 'Companies are now not trying to replace the state but to supplement its efforts.'

Chernyshkova agrees that business plays a huge role in developing social structure in the regions, often co-funding social programmes with regional and local authorities. After the breakdown of the USSR, she says, 'social infrastructure (summer camps, rest houses, boarding houses, etc) was partly removed from corporate property and handed to regional and local administrations, with the weight of responsibility lying on their shoulders. But without proper funding, these administrations could not take proper care of the property, which was doomed to become maltreated and abandoned. Corporations started creating ways of

addressing this problem and providing the finance, and this triggered CSR in Russia.’ A key driver for companies, she says, is the need to help create a social environment that will attract good qualified staff.

Business also plays an active role in the development of community foundations in the regions, adds Alexandra Boldyreva.

Corporate philanthropy in big cities

What about companies based in Moscow, St Petersburg and other big cities where the social infrastructure is much better developed? What sort of CSR activities do they engage in? In general, says Chernyshkova, companies in Moscow and St Petersburg support art and cultural activities, funding exhibitions in big museums, and sometimes federal sporting events. The Sistema Foundation, for example, supports the State Russian Museum. Yandex, a Russian search engine company, established a Computer Science Program at the Higher School of Economics, one of the leading universities in Russia. Severstal, a large mining company with a well-established philanthropic practice, supports an ice hockey team; while Mail.ru Group launched a Technopark Program jointly with Bauman University for web developers and software architects. ‘If companies support a big art exhibition or a rugby competition held in Moscow or another big city, they prefer those events to be of national or even international importance.’

Large production companies with a significant presence in Moscow and operating in the regions normally carry out social development activities in the regions as well as these other activities in Moscow, she says. ‘This means, inter alia, that there are not many social projects of city scale supported in Moscow or St Petersburg, but this is compensated for by a sufficient level of social sphere funding in these places. Especially Moscow is very good in this.’

IMPACT INVESTING AND SOCIAL ENTREPRENEURSHIP

Impact investing, ie investing for social and financial returns, isn’t really happening in Russia at the moment, says Maria Chertok.

But social enterprise is fashionable, she says. ‘Government likes the idea, as do some companies. They like the idea of social enterprises being self-sustaining; companies see them as a way out of local areas where they are shutting down a production unit; community-based small businesses are a substitute for an economic base.’

Government interest in social entrepreneurship

Natalia Zvereva, director of Our Future Foundation, founded in 2007 by Russian businessman Vagit Alekperov, president of LUKOIL, to promote social entrepreneurship in Russia, paints a similar picture. There is no governmental regulation of impact investing/social investment in Russia, she says, ‘but we can see

some movements in the development of social entrepreneurship', and some legislative regulation of the area is starting to appear. This includes, for example, quotas for government purchases for small businesses and social enterprises, opportunities for free training of new social entrepreneurs, and allocation of microcredit on preferential terms.

There are also some regional initiatives to support social business, she says. 'Each region in Russia is currently on a different level of development of social entrepreneurship and social investment. Where the local authorities are interested in the development of social entrepreneurship, the market is growing.'

Why the government interest? All states are faced with the necessity to constantly reduce budget expenditures, says Zvereva, so governments are motivated to outsource their social functions to private companies that can provide a higher quality of social services more cheaply. Investments are necessary if such companies are to develop, so it is vital to involve private investors in the financing of start-up and operating social entrepreneurs. 'This will increase the level of competition in social service markets, and in turn ensure an improvement in the quality of services provided and more effective use of budget resources.'

Investment in the field

For 10 years, says Zvereva, Our Future Foundation has been supporting social entrepreneurs by issuing long-term (1-5 years), interest-free targeted loans. In this way, the fund has supported 197 best practices of social entrepreneurship in 52 (out of 83 regions of Russia) to the tune of about US\$11 million (around 647 million rubles).

The foundation is also promoting the idea of direct investment, alongside loans, which are currently the most common investment tools in Russia. To this end, in 2016 it initiated a competition, 'Direct Investments in Social Entrepreneurship', with financing of up to US\$1 million (around 59 million rubles) made available to the winning project. The fund is also promoting the development of social franchises as the most effective model for spreading successful social entrepreneurship practices.

Our Future Foundation is not the only organization in Russia that is implementing programmes in this sphere, says Zvereva. The Agency for Strategic Initiatives (ASI) is a non-profit organization created by the Government of Russia to implement a complex of measures in the economic and social spheres. Under its auspices, a regional network, Centres for Innovations in the Social Sphere, was launched to provide comprehensive support for the social enterprises of small and medium-sized businesses as well as socially oriented NGOs. Also, the ASI has established a fund that will issue interest-free loans of up to US\$60,000 (around 3.5 million rubles) for a period of one year.

Some big companies also have initiatives, for example Tele2 (international telecommunications company), SUP (software manufacturer), Russian Aluminum (RUSAL), the Siberian Coal Energy Company (SUEK) and Norilsk Nickel (the largest

producer of palladium and nickel in the world)among others, often supporting the development of social business in the regions where the company is present.

Russia also has several crowdfunding platforms where social entrepreneurs can raise money from the public, including Planeta.ru and Boomstarter.ru.

KHANTY-MANSIYSK AUTONOMOUS REGION FOSTERING OF PRIVATE INVESTORS

In 2016, Our Future Foundation and the government of the Khanty-Mansiysk Autonomous Region together initiated a joint pilot project on social investments as part of the regional social and economic development plan for 2016-20. Within the framework of this project, it is planned to work out mechanisms for the financing of social business by private investors through various instruments, including the issue of social bonds in the future, and to form an active community of private social investors. In March 2017 the first investment session was held, and it became clear that private investors are interested in making social investments. As a result, active social enterprises will now receive the resources they need to expand their activities, initiate new directions, improve the quality and accessibility of their services, and obtain the necessary permits for inclusion in the list of social service providers – as well as valuable mentoring support.

For the government of the Khanty-Mansiysk Autonomous Region this project is important from the point of view of increasing the number of sustainable social enterprises capable of providing high-quality social services paid from the regional budget. ‘This project demonstrates a high level of awareness of the importance of social entrepreneurship for solving urgent social problems on the part of the regional government,’ says Natalia Zvereva. ‘This is the first initiative in the country, and the experience will be replicated in other regions of Russia.’

Many Russian social entrepreneurs offer services for socially vulnerable groups of citizens, such as vocational guidance and employment, children’s riding clubs, sightseeing tours, and the production and/or sale of medical equipment, including motor vehicles for disabled people. Other activities include environmental projects and the provision of cultural and educational activities. The ‘Kolomna Pastila Museum’ and ‘Museum Factory’ are new types of museum preserving an immaterial heritage like tastes, smells, ways of life and manner of speaking.⁹

How well developed is social entrepreneurship in Russia? ‘If we compare the Russian experience with the experience of other countries, such as the US and

⁹ <http://kolomnapastila.ru/en/museum>

Great Britain,' Zvereva emphasizes, 'then we are at the very beginning of the road. People have just started talking at the level of government and support institutions about social entrepreneurship and social investment. There are practically no private social investors in Russia; there are only the private initiatives of some organizations.'

COMMUNITY PHILANTHROPY

The number of community foundations (CFs) is expanding all the time, says Maria Chertok, 'especially in small towns and non-industrial rural areas, places with no hope'. At present, there are 70 CFs in Russia, 19 of them working in regional industrial centres, 35 in small towns and 16 in rural areas. For comparison, 2014 research by CAF Russia contained data on 45 CFs, of which half were small CFs, 5 based in rural areas and 18 in small towns.¹⁰

The first Russian CFs were established in large industrial centres. The Togliatti Foundation was the first, established in 1998, followed by the Foundation for Development of Tyumen in 1999. Togliatti CF now serves 720,000 inhabitants and has 20 different programmes. Its main focus is grantmaking. All money is raised locally.

Russian CFs have never had foreign money for endowments, says Chertok.¹¹ 'From the very beginning they were self-sufficient. They catalyse local development, local initiatives and local giving. In Russia the state in theory provides but it doesn't do that much for people and it doesn't listen to them. CFs are important in developing local self-governance. There often aren't many young people in rural areas, but in Perm old baboushkas who have energy are monitoring the quality of social services.'

The greatest community asset is local people, she says, followed by businesses small and large. CF funding is very diversified, coming from individuals, companies, and local and regional authorities. In her view, the challenge for start-ups is more about social capital than financial resources. 'Community and community foundation are often being created together.'

'What is interesting about the CF field in Russia is that, although international exposure was important in the early stages, its subsequent development has been entirely locally shaped,' says Jenny Hodgson, executive director of the Global Fund for Community Foundations. 'This means that the identity of "Russian community foundation" has been clear from the start and it has not carried the same definitional baggage as has occurred in other parts of the world, where the concept has sometimes been perceived as a foreign "import". CFs in Russia were set up by and large as community development rather than social justice organizations; their role

¹⁰ <https://www.issuelab.org/resources/19136/19136.pdf>

¹¹ Speaking at a CAF Russia roundtable on community philanthropy in London in September 2017.

was to “oil the machinery” of communities by connecting local resources with local needs and by building trust. Over the years, precisely because they have built deep networks in and knowledge of their communities – among both local organizations and local donors – many have started to move towards a deeper, structural analysis of and response to the challenges that their communities face.’

Similarly, the phenomenon of the ‘rural fund’ (a kind of micro-community foundation) is an important part of the Russian CF narrative. ‘The rural fund is a response to the specific challenges faced by many rural communities in Russia which have experienced significant outward migration to urban centres,’ says Hodgson. ‘These funds tend to be much less about pooling financial resources and much more about appreciating and building on other kinds of assets, including local culture and traditions, as a way of restoring hope and rebuilding a sense of community. Interestingly enough, there is a very similar body of work called rural development philanthropy in the US, which, despite the very different context, has been shaped by similar kinds of concerns and values.’

Community philanthropy as part of local self-governance

‘Local philanthropy is a kind of system of relations between the community on the one hand and local-level government and business on the other,’ says Larisa Avrorina, manager of CAF Russia’s community foundations development programme, who was nominated for the Olga Alexeeva Memorial Prize in 2014 for her work developing community foundations in Russia. Some regions have legislative initiatives to support philanthropy development, but not everywhere.

‘CFs are essentially the intersection of community interests and the search for resources for joint action, which involves both government and business. This is especially visible in remote areas.’ They can attract both local and external resources for solving social problems and developing the area. Government support can be for long-term or one-off projects as long as there is a shared vision of priorities and problem-solving approaches. Big companies with their own charitable programmes in the regions value the ability to involve the local community in solving problems, while small and medium companies support social projects largely because they want to create a positive image in the community. ‘Some local companies act not just as financial support providers; they also participate in shaping the agenda, designing social projects, and implementing projects,’ says Avrorina. ‘A feature of this kind of CF is that they really become one of the elements of local self-governance.’

Government attitudes

CFs interact with government at many levels, says Chertok. Regarded by government as socially orientated NGOs, they receive money from government funding programmes, and in turn their support for NGOs helps make the non-profit sector larger.

As already noted, the government sees the NGO sector as two parts: the service providers, ‘which they love’, and human rights organizations, watchdogs, thinktanks, etc, which they don’t. The government would see CFs as falling into the first category, providing much-needed help in meeting citizens’ needs. ‘It’s damaging for the sector to have this divide,’ says Chertok, ‘as service providers also work for rights, for example the rights of disabled people.’ CFs work on soft issues but they do organize communities. ‘And they are in some ways stronger because they have so many donors.’

CFs are also valued by government because they help them to reach communities they don’t know, says Hodgson. ‘The government attitude: “we don’t know these communities, we don’t know how to reach them, can you help us?”’

CFs don’t rely on foreign funding much so they haven’t been greatly affected by the Russian government crackdown on foreign funding. But CFs can be labelled as foreign agents if their activities are too political, for example activating elderly people, who then vote in elections, and some CFs have been labelled as foreign agents because of receiving funding from CAF Russia, so ‘some prefer not to take money from CAF – though they come to events and join networks’. Hodgson also notes that only a few CFs are able/willing to receive GFCF grants, even where they are working closely with regional and local governments. If an organization is labelled a foreign agent, it can continue working but extra bureaucratic requirements and stigmatization make it difficult to operate.

Emergence of local funds

In recent years ‘rural funds’ in remote areas and non-industrialized territories are the fastest expanding type of CF. Today 51 of Russia’s 70 active CFs are working in small towns and rural areas.

Almost 40 per cent of the Russian population lives in small towns and rural settlements, yet NGOs are almost never present in these remote territories. There is almost no money there, and no big business. CAF Russia started to work on local philanthropy development in these territories in 2003 as part of its Programme for Community Foundation Development. Initially, according to a recent CAF Russia report, ‘we did not mention local philanthropy development as we were attempting for the first time to find and attract local resources to deal with social issues. One of the key objectives of the project was to develop civic activism and engagement to help resolve local problems.’¹² The project was only successful in one of three target regions, Permsky Krai, where the Sodeistvie Foundation became the experimental flagship for development of CFs in rural and non-industrial areas. It was also responsible for establishing Russia’s first CF alliance, a legally registered association of community foundations. In 2015, Nina Nikolaevna Samarina, head of the

¹² CAF Russia (2017) *When Size Matters*: <https://www.cafonline.org/about-us/publications/2017-publications/when-size-matters-caf-russia-community-foundations-report>

foundation, was nominated for the Olga Alexeeva Memorial Prize for her role in rural philanthropy development.

Rural CFs work in areas with populations ranging from 3,500 to 14,000. They were mostly established by individual activists or small groups and are sustained through the work of many volunteers. Local residents are the main source of financial support for CFs (over 60 per cent) at the start-up stage, followed by big business. For more established CFs, companies are the largest source of funding, followed by Russian NGOs and individual donations.

Municipal authorities play an important role in the emergence of CFs – over half of CFs surveyed by CAF Russia¹³ (62 per cent) use municipal premises free of charge. Regional authorities are much less likely to support CFs. Almost 80 per cent of small CFs have boards that include representatives of local authorities, business and communities – though only half say their boards are active.

Despite small budgets, 90 per cent of small CFs use grant competitions to support a very broad menu of charitable projects and residents' initiatives. Local improvements and community initiatives are the biggest areas of activity for small CFs (81 per cent), followed by assistance to children, youth projects and cultural and creative work (76 per cent). The latter includes reviving and establishing local traditions.

EXAMPLES OF LOCAL COMMUNITY FOUNDATION PROJECTS

The 'Health Park' project is a good example of a local improvement project:

"We implemented the "Health Park" project. There is a forest in the centre of our settlement, and for two years we were cleaning it and building the road. We put workout equipment in the field for people with special needs and organised a "health path". Today all big sport events are held here. People started to practise Nordic walking. People started using this space: they do barbecues in winter, and go for a walk in summer. We would like to continue developing it – install lighting, put signs, maps, etc."

Evgenia Lamovskaya, an activist from Sylva Settlement in Permsky Krai¹⁴

An example of reviving local traditions is the Festival of Blackberries and Blackberry Pie, now held annually in Krasnovishersk (Permsky Krai). In 2016, the festival opened with a solemn ceremony of putting blackberries brought by all delegates into a common pot, where the 'Global Jam' was being cooked throughout the festival.

¹³ CAF Russia (2017) *When Size Matters*.

¹⁴ CAF Russia (2017) *When Size Matters*.

Support for community foundation development

Support for CF development comes from CAF Russia, CF alliances, resource centres like the Siberian Centre for Support of Civic Initiatives in Novosibirsk, and the CF Partnership, established in 2006 to unite strong, sustainable and highly professional CFs with emerging CFs in new regions. 'CFs are the most networked community in Russia,' says Chertok, 'keen to speak with each other and work together – which is vital for the spread of innovation and creativity.' The Mott Foundation used to support CF development but has stopped funding to Russia as a result of the Foreign Agent Law.

CAF Russia's Programme for Community Foundation Development is the key resource for CF development in the country. Initiatives include the 'Start Up' nomination to support CF initiatives in remote and rural areas; internships for new CFs provided by stronger and more experienced foundations; and, most recently, in 2015-16, the CF School project. The programme enables CF staff to access analytical materials in Russian, take part in webinars and Skype conferences, study best practice by other foundations, etc. One new product is the social activity map, based on data obtained through a survey of local residents asking them to identify the most acute local issues and the possibility of involving residents in dealing with them.

Dissemination of the model has also been helped by 'a significant breakthrough in development of the internet and information technologies which has allowed remote and underdeveloped territories to gain access to the common information space. Access to best practice and real-life case studies accumulated by CFs has become a substantial stimulus for development of the model and an inspiration for local activists in small towns and settlements.'¹⁵

How widespread are CFs in Russia? 'CFs are very local,' says Chertok. 'We are a long way from complete coverage.' CFs are most active in the Volga Federal District and Siberia, says Avrorina, 'due to the dynamic development of civil society institutions and non-profit organizations in the mid-1990s because of major projects supported by international foundations and regional governments. As a result conditions for the development of philanthropy were formed there.'

SOCIAL JUSTICE PHILANTHROPY

'In my opinion social justice philanthropy is a term very rarely used in Russia except perhaps in professional philanthropy magazines,' says Natalia Taubina of the Public Verdict Foundation, which supports the victims of police violence.

¹⁵ CAF Russia (2017) *When Size Matters*.

‘It could be said that our work is about social justice although I prefer to consider it as pure human rights work,’ she says. ‘Our aim is to stop abuse of power by law enforcement and to ensure that law enforcement is carried out in accordance with a number of rules, including a guarantee of human rights. If these rules are violated, this is not yet a question of social justice; it is a question of violating guaranteed human rights.’

Taubina sees the Public Verdict Foundation’s achievements as falling into two categories, reflecting the foundation’s work. First, there are achievements on an individual level when they manage to achieve justice for victims of police violence (there have been about 100 such cases, and more than 150 perpetrators who were found guilty and sentenced). Second, there is the ‘systemic level, when our recommendations on what needs to be done to improve the situation and respect human rights are included in official plans. This happened with the system for evaluating police performance. Traditionally this was based on quantitative data and did not include any assessment of the quality of police work. Our recommendations have been heard and a special unit to investigate crimes committed by law enforcement officers has been created.’

Whatever the terms used, there is very little funding in this area, says Maria Chertok. Traditionally, human rights organizations are funded either by foreign grants or by government 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.

‘Whole sectors are underfunded because foreign funding has almost stopped,’ says Viacheslav Bakhmin. As for government funding, there are presidential grants to human rights organizations, but these go mainly to what he terms ‘fake’ organizations or ‘social kinds’ of human rights organizations. The most political no longer receive presidential grants as the government generally doesn’t support ‘foreign agents’. The Public Verdict Foundation used to receive state support, says Taubina, ‘but it is not possible any more since the state stopped supporting NGOs who are on the list of “foreign agents” and those who continue to receive foreign funds.’

What are the prospects of developing Russian funding?

‘Even the government is concerned about this,’ says Bakhmin. The ‘foreign agent’ classification makes it difficult for human rights organizations to raise money from other sources. Neither family foundations nor companies will support them because supporting foreign agents is too risky; it makes them look suspicious.

Very few human rights organizations have fundraised successfully from the public, says Chertok. One of the first to succeed is OVD-info, which monitors public assemblies – the behaviour of the police, arrests and court hearings of civic activists,

etc – and has run a successful fundraising campaign to raise funds for the work of its monitors. Taubina suggests a number of reasons for this success: ‘a very well organized campaign, the good image of the organization, and understanding of the importance of this work among an active part of society.’

Another successful fundraiser is Mother's Right Foundation, which provides legal assistance to parents whose sons died while in the regular army, and which has crowdfunded considerable sums. But this is exceptional, says Chertok, and the majority of its donors are people whom the foundation has helped.

Grigory Okhotin names fbk.info, which works on politically sensitive corruption issues, as the most successful fundraiser, collecting around 40 million rubles (US\$677,000) per year totally online. ‘This isn’t a traditional human rights NGO,’ he says, ‘because Alexei Navalny is a political leader not a human rights activist. His aims are political. He’s young, very popular, with a huge audience from his website and mailing list. More traditional human rights NGOs have mostly not been successful so far.’

Human rights organizations often don’t themselves believe that people will support their activities, says Bakhmin. They may be receiving less money from ordinary people partly because they aren’t asking for it. ‘They need to persuade people they are working for the public good, explain what they are doing, be more visible – not an easy task.’

The Public Verdict Foundation seems to illustrate this lack of belief. It has tried fundraising but with little success to date. ‘People do not understand our work very well and cannot see immediate results; this is not about helping a sick child,’ explains Taubina. ‘People think that if someone has been beaten by the police he or she did something wrong.’ But she remains confident that they will get public support once they have managed to communicate to people that illegal police violence can happen to anyone at any time and that this situation needs to be changed.

Another issue for Taubina is the lack of resources to carry out fundraising constantly and professionally. They now have a member of staff whose main work is fundraising, and Taubina is hopeful that they will start to see results.

Surviving as a foreign agent

The Public Verdict Foundation is mainly supported by foreign private donors like the OAK Foundation and Sigrid Rausing Trust, says Taubina, and they also receive support from the UN Voluntary Fund for Victims of Torture.

Human rights organizations that are on the list of foreign agents can choose different ways to continue their operations, she says. Some decide to stop receiving foreign funds and after a year ask the Ministry of Justice to remove them from the list. Others decide to dissolve their legal entity and continue work using other models. A third group (including the Public Verdict Foundation) decides to go on working as

OVD-INFO'S CROWDFUNDING CAMPAIGN

'We used to use a standard model of fundraising, looking for foundation donors,' says Okhotin, 'but this became more complicated because of the Foreign Agent Law.' In 2016 they started a crowdfunding campaign, which was successful in collecting all that they were aiming for: 2 million rubles (around US\$34,000) to cover the activities of our monitoring group. They used Russia-based instruments like Yandex.Money to collect money. This allows them to take money from debit and credit cards – 90 per cent comes from debit cards. The median donation size is 500 rubles (US\$8.5). The average is twice as big because it's skewed by very big donations.

The campaign is promoted in a variety of ways. A web page sets out details about the organization and the campaign, with a donate button at the bottom.¹⁶ 'We have videos about our work, our heroes, people facing repression, and we use these to promote our campaign – it has a huge effect on Facebook. We ask "celebrities" to talk about us – prominent journalists, lawyers and activists. We also ask people we know personally to share information about our crowdfunding campaign – telling people why they're supporting us and asking others to do so. We use social media – mostly Facebook, Twitter and VKontakve (VK.Com – Russian Facebook). The most effective is Facebook. Three months ago we started promoting the idea of monthly donations, which is working quite well with our core audience.'

Of OVD-info's overall income, 50 per cent is from donations, supporting the monitoring group, and 50 per cent is from institutional donors. These are foreign donors, mainly the European Commission (no Russian foundations support human rights, says Okhotin). 'We are part of the Human Rights Centre Memorial, which is a foreign agent, so we are too.'

In 2017 OVD-Info doubled the amount of donations collected.

Why have they been so successful?

We were clear about our audience, clear about our message, and very transparent,' says Okhotin. 'First, we understand our audience, middle-class people aged 25-55 in Moscow who have been involved in protest actions in the last five years and already know about our project and have some money. They don't have time and energy to be active now but they know who we are and what we do and understand the importance for those who are still active.'

Second, the message. 'We chose just one part of what we do for crowdfunding – the monitoring group – and focused on how it works, why it is important and how it helps clients. We had a long preparation period and consulted with experts in marketing, crowdfunding, etc. We aimed to collect a specific amount, ie our total budget for the monitoring group for the year, not simply as much as possible.'

Third, transparency. 'We are very transparent about how much we collect and how we use it. We produce detailed reports every three months, published on our website¹⁷ and sent to our donors. Every three months people read the report and some provide extra donations.'

¹⁶ <https://donate.ovdinfo.org/5>

¹⁷ <https://ovdinfo.org/reports/crf-2016-3>

before, continuing to receive foreign funds and carrying on its activities as long as possible.

Being on the list of foreign agents creates a lot of difficulties apart from funding, says Taubina. 'Having to mention in all our publications that we are a foreign agent is one of the main difficulties. To the general public the term "foreign agent" means spy, enemy of Russian interests. If we say that we are a foreign agent we will lose trust. If we don't do this we are at risk of huge fines, which would mean liquidation for us as a legal entity.'

Another difficulty relates to cooperation with state authorities. 'We used to have different programmes which included participation of the authorities. We conducted trainings for investigators, we communicated with penitentiary administrations about improvement of conditions for detainees. Now these doors are simply closed. Authorities do not want to cooperate with us because of our foreign agent status.' Finally, and the least of the difficulties, is having to report to the Ministry of Justice every three months.

FUNDRAISING FOUNDATIONS

In the last ten years public charities with a devoted base of supporters have emerged. Founded by active citizens with the aim of resolving acute social issues, these charities started largely as a social movement; they are social network based, so they can mobilize support quickly. They remain volunteer-based groups working with vulnerable groups such as old people and children, and this has led to advocacy for improving standards of care. Russia doesn't have a campaigning/advocacy culture but it is growing organically out of the work of organizations that started as pure charities, says Maria Chertok.

There are many strong fundraising foundations in Russia that have moved from simply providing services to trying to change the field, promoting legislation, training of doctors, etc, agrees Oksana Oracheva. She gives as an example the Vera Hospice Charity Fund, which works on palliative care and hospices. 'They have developed the topic in Russia,' she says, 'changing the approach to helping people who need special drugs.' Their achievements in developing the system of palliative care in Russia are mentioned by several commentators. In a very short period of time the hospices issue is no longer a real taboo, says Alexandra Boldyreva.

They are operational foundations, she explains. They fundraise and run their own programmes. They often have a common voice on medical issues, and some have joint fundraising activities. 'They are like big NGOs that help individuals but also try to change the situation at large.'

They are also increasingly professional, with a big emphasis on transparency. ‘The best known are trying to be very transparent,’ says Bakhmin, ‘and to publish reports about how the money is spent.’

These fundraising foundations have wide public support. They engage in energetic and successful fundraising, largely from middle-class donors but also from corporations, and as a result government listens to them, says Chertok. CAF Russia supports such organizations in developing different approaches to raising money, including crowdfunding.

THE PODARI ZHIZN (GIFT OF LIFE) FOUNDATION

The way these fundraising foundations have developed is well illustrated by the Podari Zhizn Foundation, Russia’s largest cancer charity. The foundation was officially registered in November 2006, says Arina Gaba, but it started well before that when several groups of people came together and started to cooperate: a group of child oncologists, who realized that childhood cancer treatment in Russia was far behind that in developed countries; a group of volunteers who were trying to support patients and their families in children’s clinics in Moscow; and a group of blood donors – blood donorship was still a big problem in Russia. They enlisted two famous Russian actresses to hold a concert to raise money for blood processing equipment. ‘The first concert raised nothing but the second concert raised twice as much as needed to purchase the equipment, a huge and unexpected success. It was then suggested that they should launch a proper foundation to handle the funds, that things should be done properly. That’s how the foundation was started.

‘Initially it was quite chaotic, which is normal for a young charity. The first director was the first fundraiser, working mainly with major donors and companies, as well as working with families and clinics and organizing help to patients. Then the founders realized they needed an experienced manager to develop the foundation further, and they invited the best NGO manager in Russia, who had worked for WWF previously, who is still managing director. He built the present system of fundraising.’

Using donation boxes to collect cash on the streets is not, however, an acceptable fundraising method, according to Arina Gaba, fundraising director of the Podari Zhizn (Gift of Life) Foundation. A lot of fraudulent charities are emerging, she says, and they are the only ones carrying out street collections.

Other prominent examples are RusFund, Volunteers to Help Orphaned Children Foundation and Starost v Radost (Enjoyable Ageing). Twenty thousand people have volunteered at least once for Starost v Radost, says Alla Romanovskaya. Of its 2016 budget of 80 million rubles (around US\$1.35 million), 43 million rubles came from

members of the public (including crowdfunding projects like Globalgiving.com). Of the remainder, 20 million rubles came from corporations, 15 million rubles from wealthy individuals and just 2 million rubles from government grants.

What role are they playing?

'I'm not sure if they are yet playing a big role in provision of social welfare in Russia,' says Arina Gaba. 'Perhaps with childhood support – people seem to prefer to help children. It is more difficult to get support for elderly people or vulnerable adults.'

How much of what they do is advocacy and how much delivery of better services? Both, says Gaba. 'Children come first so there is a lot of direct support for children and clinics. But we understand the need to change the state system. There is a huge lack of doctors and of medical capacity (beds, capacity to do operations). The demand is higher than the possibility of fulfilling it. Also, facilities are concentrated in Moscow and St Petersburg, but 90 per cent of patients come from other places. This means children have to come to Moscow for treatment. One parent has to accompany them, often leaving a job and other children.'

So what is needed is clinics in other regions. A few years ago Podari Zhizn Foundation supported the building of a childhood cancer centre in Moscow, 'one of the best in Europe in terms of doctors, equipment, treatment and attitudes'. The next step was to assess the situation in all the regions of Russia (over 90). They selected the nine most promising, and offered them support in developing local clinics for bone marrow transplants. They received three responses and have already started to work with two clinics.

Romanovskaya sees the fundraising foundations as playing a dual role. 'They are helping to accelerate change in governmental mechanisms. At the same time they are providing immediate help rather than leaving people waiting until the slow-working authorities adjust their system to meet their needs.' Their basic approach, she says, is to evaluate new methods and models already existing in international practice and to 'insist on implementation of best practices'.

The relationship with the government is a challenge, says Chertok. 'These charities are all helping government meet its obligations. On the one hand government listens; on the other, it says no, we don't need this, we're already funding this area. The public are also questioning why government isn't meeting its obligations, why they need to give money.'

Viacheslav Bakhmin is more sceptical about their achievements. 'They sometimes raise money just for one ill child; this is very direct assistance, not a broad social project or raising money for an institution.'

OUTSTANDING ACHIEVEMENTS OF RUSSIAN FUNDRAISING FOUNDATIONS

Alla Romanovskaya of Starost v Radost identifies a number of 'truly outstanding' achievements of fundraising foundations. 'Without these initiatives these problems would have remained untouched for years, if not decades,' she says.

Vera Hospice Charity Fund

This fund has done a lot to implement changes in government institutions' policies on medication, she says, so that doctors are no longer afraid of being prosecuted for prescribing morphine. At the same time the fund is supporting other hospices in their work, ensuring that patients get pain medication even when local clinics don't support the new regulations.

Russian Children's Palliative Care Foundation

Because parents were not allowed to stay with their children in intensive care units, it often used to happen that children spent months in hospital almost alone and died barely seeing their mother once a day. As a result of data gathered by the foundation from all around Russia, a special order of the health ministry now obliges chief doctors to give relatives access to intensive care units.

Volunteers to Help Orphaned Children Foundation

The foundation is transforming orphanages in Russia, says Romanovskaya. Institutions where 30-40 children all the same age had a constantly changing succession of carers – which meant the children did not experience the consistent affection they needed – have moved to having groups of 6-8 children of different ages with a constant carer, which is reminiscent of the structure of a large family. At the same time the foundation is educating those who want to be foster parents and providing support to families who have adopted children with special needs or severe health problems from orphanages.

Starost v Radost (Enjoyable Ageing)

Finally, Romanovskaya mentions Starost v Radost, where she herself works. The foundation works on implementing modern standards of long-term care for the elderly in hospitals and at home. 'Right at the moment we're conducting an experiment applying modern methodology in a number of pilot regions of Russia. Federal and regional authorities are looking forward to the results of these pilots,' she says, 'and we have confirmation from them that they will implement best practices into the regular operations of all hospitals, care homes and social service centres. We are already beginning to see tangible results of our work and hope that we can consistently change the life of seniors in our country for the better.'

Rusfond Foundation

Maria Morozova singles out the Rusfond Foundation – established by one of Russia's largest publishing houses, the Commersant, on the initiative of journalist Lev Ambinder – for creating a Russia-wide system of media-based fundraising. Ambinder's articles and appeals for help received such an eager response from readers that very soon millions of dollars had been raised. At first the publishing house stayed away from forming an institution, instead preferring to connect either people or NGOs with those who wanted to donate, but at some point they faced the need to establish a professional institution.

The success of the Commersant's charitable project and its positive influence on its regular publishing business naturally motivated nearly all large media to launch similar projects. Nowadays having a fundraising arm is almost a must for any media organization. Their activities are rarely coordinated, says Morozova, but 'the sense of power of the media has resulted in the spawning of other interesting initiatives, including one called Nuzhna Pomosch (Help Needed), launched by a group of high-profile journalists, which has been quite successful in attracting public attention to issues and in fundraising.' They also established a crowdfunding platform and magazine, 'Takie Dela' (So It Goes).

Why are they so successful?

According to Bakhmin, the fundraising foundations, some of which are household names, work on the emotions: 'they publish the faces of suffering children and raise a lot of emotions.' People give through SMS in response to TV appeals, raising millions of rubles in a few hours.

Morozova also identifies a key role for the emotions, but a more strategic one. 'They become successful if they can convince the public that the issue they are involved with is urgent, that they do have effective remedies for it, and that they can engage the support of prominent and well-known figures. They switch from an emotional response to the issue to a constructive approach, positioning themselves as highly valued experts offering realistic working solutions as well as criticism. The activities of these foundations are influencing state policies and bringing about meaningful changes on the most sensitive social issues,' she says.

Gaba mentions changing attitudes, including a growing trust in NGOs. 'In the past five years,' she says, 'people have started to realize that if they don't solve their problems no one else will. People have been doing a lot of the state's work.' The Podari Zhizn Foundation employs lawyers to try to ensure the state fulfils its duties.

Why is Podari Zhizn so successful? It is very well organized, says Natalia Taubina, who sees it as 'hugely successful' both in fundraising and in solving the problems of needy children. 'The idea behind the foundation is clear and people are ready to participate in and support it.'

We have a great success story to tell, says Gaba. 'Rather than sending children abroad for cancer treatment, we are trying to bring the most modern treatment to Russia. Over 40,000 have received help through the foundation and they spread the word.' The foundation is also good at learning and experimenting with new fundraising practices, she adds.

Are donors attracted by the wider advocacy role? 'We are trying to move donors away from supporting just individual children. We use individual children as examples but also raise funds for the project in general.'

INDIVIDUAL GIVING BY ORDINARY PEOPLE

There are some major donors in Russia but it's hard to get data on them, says Maria Chertok. Many give informally, not through foundations, and some give through their own foundations. 'But the most significant trend in Russia over the last ten years is the rise in middle-class giving,' she says.

For 10-15 years Russian charitable organizations working on medicine, education and children have been collecting a huge amount of money in different ways, says

Grigory Okhotin, mostly from ordinary people not companies. ‘This is already an industry.’

Oksana Oracheva agrees. ‘Philanthropy is becoming more popular and attitudes to it more positive,’ she says. ‘People have more empathy with it; they are becoming more involved through corporate volunteerism and giving of small donations. They don’t think of philanthropy as only about big money.’ According to Viacheslav Bakhmin, media and government are mostly positive towards philanthropy (as long as it supports government policy and objectives), despite some scandals with people trying to collect money on the streets for fake charities.

How does this square with the widespread perception that few Russians give money to charities – CAF’s *World Giving Index 2017* reports just 17 per cent of Russians doing so?¹⁸ A key factor here is that the Index only considers donations made in the month prior to the survey, so it is more likely to capture those that are giving regularly; giving triggered by events like natural disasters or seasonal giving may therefore be missed. Looking at giving within the previous 12 months gives a very different picture – with 53 per cent of Russians giving in the last 12 months, either giving money to a charity or a church/religious organization or sponsoring someone.¹⁹

People aged between 25 and 34 are the most active donors to charity, with women more active than men. Those with a family income of 1 million rubles (around US\$17,000) or more are the most likely group to have donated or sponsored in the last 12 months, 67 per cent compared to 50 per cent of the lowest income group – though volunteering is equally common in the two groups.

How are people giving?

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, being used by only 2 per cent of donors, followed by membership fees (3 per cent) and workplace giving programmes (4 per cent).

All kinds of fundraising technologies, including crowdfunding, are advancing very quickly, says Bakhmin, helped by the rise of online banking. Many charities now have a ‘donate’ button on their websites. ‘There is also a growing choice of online donation platforms run by non-profits and commercial companies that help to facilitate giving to a wide variety of charities from across Russia.’ ‘But online fundraising is only beginning,’ stresses Grigory Okhotin, ‘notwithstanding some very successful campaigns on platforms such as Planeta.ru (this is like Kickstarter, raising

¹⁸ CAF (2017) *World Giving Index 2017*: <https://www.cafonline.org/about-us/publications/2017-publications/caf-world-giving-index-2017>

¹⁹ CAF (2017) *Russia Giving 2017: An overview of charitable giving in Russia*: https://www.cafonline.org/docs/default-source/about-us-publications/caf-russiagiving2017_web.pdf

money for particular projects). Greenpeace and WWF have also been quite successful for 10-15 years.’

The preferred methods of giving reflect the fact that most Russians do not give regularly – though a significant proportion of Russians who give money do so quarterly (24 per cent).

Most people give spontaneously, immediately after becoming aware of a cause or an appeal.²⁰ The most common source of information about NGOs is TV, which is widely trusted. Younger people are more likely to find out about the NGO/cause before donating.

Why do people give?

Caring about the cause is the most common reason for giving money, cited by almost half (47 per cent) of Russian donors. Helping people less fortunate than them is the second most common reason (43 per cent), while making them feel good and believing everyone needs to help solve social problems occupy joint third place.

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), followed by having more money themselves (57 per cent).²¹

Giving Tuesday

Although over half of Russians do now give to charity each year, most don't talk about their giving. Giving Tuesday, held for the first time in 2016, is about admitting you give to charity – the assumption is that people often start giving when they are introduced to a charity by friends or family, so if people start talking about giving, this will motivate more people to do so. The success of Giving Tuesday depends on word of mouth and peer-to-peer networks.

The first Giving Tuesday was a huge success, with 900 partners – charities, companies, government institutions – and more than 1,500 events and campaigns in 124 cities and towns across Russia. Online donations made via donations platforms grew 2.5 times on the day and there were 60,000 visits to the www.givingtuesday.ru website.

There were also 3,000 ‘confessions’ generated as part of Confessions Week, which involved people sharing stories about helping those in need. #GivingTuesday and #ConfessionWeek trended for most of the day in Russian social media V Kontakte (number 1 and 3 respectively). Endorsement came from the chair of the Federation Council and from dozens of celebrities.

²⁰ CAF Russia (October 2014) *Russia Giving*: https://www.cafonline.org/docs/default-source/about-us-publications/caf_russia_givingreport_eng_final_web.pdf

²¹ CAF (2017) *Russia Giving 2017*.

PODARI ZHIZN FOUNDATION (GIFT OF LIFE) – A SUCCESSFUL FUNDRAISER

At the moment 80 per cent of Podari Zhizn Foundation's income comes from small donations from individuals. Just under a third comes from SMS donations, mainly triggered by videos about cancer patients on TV. The foundation has partnerships with three TV channels, which raises a lot of money. It also uses direct mail – but not face-to-face fundraising, which is not a cost-effective way to raise funds and attract new donors in Russia.

There are in effect two fundraising departments – the fundraising department itself and the PR and communications department. The former works with those who have already donated or are sympathisers, while the latter aims to broaden the database by attracting people's attention through social media, the website, mass media and special events. The foundation is also working further on micro donations apart from SMS. It works with companies and major donors, reactively and proactively. It is a well-known foundation so companies often make the approach themselves.

The foundation also aims to develop new mechanisms. For example, it has launched affinity cards with Sberbank (the main state bank) and Visa. Under this scheme, launched in 2009, 0.03 per cent of each purchase made by card goes to the foundation and the bank doubles it. A second one, launched in 2016, gives people the option to add a small amount when paying by card in some shops that use Sberbank's acquiring system, and this goes to the foundation.

Regular donations through credit cards only started a couple of years ago. 'It's a technical possibility on the website but not really promoted,' says Arina Gaba. 'We have a few thousand regular donors (3,000) and also people who donate regularly (around 6,000) in response to direct mail or on their own schedule. We are now thinking about how to communicate with them better and testing different approaches.'

A survey carried out two years ago showed that donors are mainly 25-55 (the largest group (37 per cent) is 31-40), mainly in Moscow and big cities; there is also a group of pensioners, who mainly donate through another partnership with Sberbank – a deposit account, where the profit goes to the foundation.

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. Online donations grew on the day 1.8 times in value and 1.9 times in number compared to the last Tuesday of the previous month.

Giving Tuesday apart, according to YandexMoney, one of the largest providers of online payments, the volume of giving online doubled in 10 months of 2017.

What are people giving to?

Supporting children (orphans, seriously ill children, children with disabilities) is the most popular cause in Russia, supported by over half (58 per cent) of those who have donated. Supporting religious organizations/churches (30 per cent) and helping the poor (28 per cent) come in second and third, followed by animal welfare (20 per cent).²²

But support for the environment, disability and other so-called ‘unpopular causes’ is growing. Palliative care is an unpopular cause where fundraising has been very successful, Oksana Oracheva points out. Environmental organizations have also been successful, she says – ‘as long as they’re not focused on environmental rights’.

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. One group that has emerged in the last ten years is the ‘fundraising foundations’, described above, whose focus has tended to evolve from providing services to trying to change the field. They have wide public support and raise millions of rubles a year from the public.

Raising money from the public would give Russian human rights organizations legitimacy like nothing else could – something they desperately need. As we have seen, a few have had some fundraising success. Among them are OVD-info, which monitors public assemblies, and Mother’s Right Foundation, which protects the rights of families whose sons died while in the army. The fact that people have been willing to support the advocacy activities of the fundraising foundations seems likely to bode well for the future fundraising success of human rights organizations, but so far it’s very limited.

PHILANTHROPY INFRASTRUCTURE

Long established ...

The key organizations supporting philanthropy in Russia are CAF Russia and the Russian Donors Forum. More recently, community foundation networks have been set up. There are also NGO support centres that were established years ago, both in urban centres and in the regions, and research centres that study NGOs and corporate social responsibility.

CAF Russia was created by CAF in 1993 to work with individuals, foundations, corporations and other donors in Russia. It is now part of CAF’s Global Alliance. It

²² CAF (2017) *Russia Giving 2017*.

helps donors develop and execute charitable programmes, provides professional education, and works to enhance public awareness of philanthropy in Russia and the legal and administrative framework for the sector.

The Russian Donors Forum was created in 1998, with a mission 'to enhance the effectiveness of organized grantmaking that aims to support the development of a democratic civil society in Russia'. Its members are foundations, mainly private and corporate. Activities include organizing the exchange of information between grantmakers and facilitating networks among them; and providing information pertaining to the operating environment for grantmaking. One of its first activities was to develop a code of ethics for philanthropy.

Both CAF Russia and the Russian Donors Forum are members of WINGS. CAF Russia is also a member of the European Foundation Centre, while the Donors Forum is a member of DAFNE (Donors and Foundations Networks in Europe).

... and new

In the last few years quite a few new infrastructure institutions have been started, from crowdfunding platforms to capacity-building and research initiatives. The Potanin Foundation and the Rybakov Foundation dedicate some of their programme funding specifically to infrastructure, and the President's Grants Foundation has a budget line for it too.

'I actually think that infrastructure has come into fashion,' says Maria Chertok. 'It is true that these new efforts lack coordination and a joined-up approach and are often built from scratch rather than utilizing existing experience (every new player wants "their own" infrastructure instead of supporting what already exists – not an unusual picture across the sector overall). Still, the importance of infrastructure is something that is now recognized.

There is even potential for it to be funded by the general public, as demonstrated by Nuzhna Pomosch (Help Needed), mentioned above, which has managed to build a very sizable support base who actually fund the organisation itself as well as raising funds for specific NGOs – thus proving that infrastructure can be funded by small donations.

Despite these new developments, most would agree this still isn't enough. There are no statistics, and there's a lack of transparency and self-regulation, says Viacheslav Bakhmin.

WHAT IS DRIVING PHILANTHROPY IN RUSSIA?

Wealth is growing in Russia, with an increasing number of rich people leading to the emergence of new private foundations and a growing middle class. At the same time, the current economic condition in Russia means there are fewer available resources to tackle a growing range of social problems. 'The resources of the charity sector thus become much more meaningful, both for the state and the general public,' says Maria Morozova. 'There is more interest in the activities of charitable foundations, and their founders are placing much more emphasis on sustainability.'

AN INCREASED WILLINGNESS TO HELP

Among the public

The growth of private donations and citizens' activity is clearly the key factor in the growth of philanthropy in Russia. 'Usually the main factor driving philanthropy is a desire to help those who are in need and suffering,' says Natalia Taubina. Oksana Oracheva likewise mentions 'the idea of supporting those in need, the desire to solve problems that the state can't solve or doesn't have sufficient resources to solve'. 'Usually people are willing to do good things, to help disadvantaged persons, especially children in need or ill,' says Viacheslav Bakhmin. 'Most people are eager to see their country safe and many are ready to respond to calls for help,' says Alla Romanovskaya.

Morozova talks of 'Russian citizens' increasing community commitment and their readiness to create a joint effort, to unite in order to resolve their problems'. The result is a growing number of new initiatives, which may get support from foundations, and a growing number of grant competitions. 'Their topics and their aims become ever more complex; and projects supported by foundations bring about ever more sustained and larger-scale results.'

Among the business community

Alexandra Boldyreva talks of the increasing role of private initiative, especially on a regional level. For Elena Chernyshkova, the key factor here is the need of big businesses 'in remote regions of the country with weak or ruined social infrastructure' (this applies to healthcare, education and cultural areas of life) to improve the quality of their social environment in order to attract and retain qualified staff members.

Another factor driving Russia's burgeoning corporate philanthropy is the state, says Chernyshkova. 'In the last decade, the government has been more active in development of the social sphere. It stimulates big businesses to support state-

funded nationwide programmes and foundations specialized in key social areas such as support of children, people with disabilities, etc.’

For Natalia Zvereva, the development of social business is impossible without the strong institutional support of the state, big business and private initiatives. Motivations for this support include the desire to improve the quality of social services and create a more attractive way of life in the regions, partly as a counterweight to the trend of young people moving to the big cities.

AN IMPROVING ENVIRONMENT FOR PHILANTHROPY

A number of factors are combining to make Russia a better place for philanthropy. For one thing, there is an increased openness about philanthropy, with the media encouraging people to support charity programmes and making it fashionable. Media interest in charity is rising to a new level, says Alexandra Boldyreva. ‘National and federal channels have tuned in to philanthropy.’

Improving philanthropy infrastructure is another factor. New forums and professional associations are allowing charitable organizations to discuss issues and cooperate in a variety of ways, says Boldyreva. The Russian Donors Forum, for example, is promoting the idea of professional philanthropy, developing standards, conducting research, identifying experts and so on.

Even the legal framework is encouraging, says Bakhmin, ‘although not perfect and sometimes controversial’. He also mentions new information technologies that have made the giving process easy and fast.

According to a recent poll by the Thomson Reuters agency on ‘The best countries to be a social entrepreneur 2016’,²³ reports Zvereva, Russia is the 31st best country, in the opinion of both men and women, and second best in the opinion of women.

²³ <http://poll2016.trust.org>

WHAT IS HOLDING BACK PHILANTHROPY IN RUSSIA?

There are still a lot of challenges, says Boldyreva. As one would expect, many factors are at play here – mistrust of NGOs (and of foundations), donor expectations, inadequate infrastructure, and so on – all heightened in Russia’s case by the fact that the whole sector is very young. And then there is hostile legislation, in the shape of the Foreign Agent Law, mentioned by all commentators.

LACK OF CONFIDENCE IN NGOS AND FOUNDATIONS

There is not enough trust in NGOs and philanthropy as such from the state or the public, says Oksana Oracheva. Only 8 per cent of Russians trust charities, philanthropic funds and charitable initiatives, says Boldyreva.

The most important barriers to individual giving, according to CAF Russia research carried out in 2014,²⁴ are a lack of trust in NGOs and not understanding the importance of their mission. People often prefer to give directly to the beneficiary to guarantee that their donation will be used to full effect.

This mistrust is not caused by a lack of information as a lot of information about NGOs is available from a variety of sources – with TV, family and friends and the workplace the most trusted sources. But lack of transparency and accountability is a problem. Many Russians suspect NGOs of not using funds for their stated purpose, with as many as 65 per cent of those surveyed by CAF Russia convinced that money given to a charitable organization will never reach the end beneficiary. There is also a widespread lack of understanding of what NGOs are and of the importance of what they do. Only 31 per cent believe they have the power to bring about positive change, while many believe that the purpose of charitable activities is tax evasion. Steps must be taken to promote the activities of charitable organizations and public recognition of their contribution to the solution of social problems, says Boldyreva.

Although information about NGOs generally isn’t lacking, there is a lack of information about some of the less obvious social problems and this is one of the reasons why the vast majority of Russian donors are willing to support such a limited range of causes. Another factor is the stigma attached to certain marginalized groups (eg those living with HIV or addiction).

Lack of professionalism is also an issue, both in NGOs – not always professional enough to be successful and effective, says Boldyreva – and in charitable foundations. Foundations may themselves be contributing to the negative

²⁴ CAF Russia (October 2014) *Russia Giving*.

perceptions, says Viacheslav Bakhmin, 'when they abuse ethical codes of behaviour, undermining the reputation of philanthropy institutions'. He also mentions the lack of 'self-regulation, transparency, responsibility, and common ethical norms'.

Finally, Larisa Avrorina points to the need for leaders for local philanthropy development.

THE ECONOMIC SITUATION

The unstable economic situation is seen by Natalia Taubina as one of the main obstacles to the development of philanthropy, as it 'makes it difficult for many ordinary people and businesses to invest in charity'. Grigory Okhotin also sees the economic situation, which limits 'how much money people have', as a big problem. 'It's not a great situation now and it's getting worse.' Maria Morozova also talks of a 'lack of uncommitted funds', while Elena Chernyshkova points her finger at the 'weakness of local budgets. Regional authorities obviously do not have sufficient resources to support the social environment at a proper level.'

But it is not all doom and gloom. Despite the economic crisis, there have been no serious budget cuts, and private and corporate philanthropy is developing, says Boldyreva.

ATTITUDES TO GIVING

According to Alla Romanovskaya, 'federal-level mass media usually create a picture of the world which does not encourage the average person to do anything to solve the current issues.' In her experience it is often only when people or their closest relatives have survived the problem (she's talking about cancer) themselves that they start thinking about solutions. There is a prevalent attitude in Russian society that 'charity should be done in silence', says Maria Morozova. 'We need to develop community activity,' says Larisa Avrorina, 'people's sense of responsibility for their own lives and a desire to improve them'.

A similar attitude prevails in relation to social investment, a relatively new phenomenon in Russia: many people still expect that the state will solve all social problems. Natalia Zvereva talks of 'social inertia' associated with the transition of the economy from a planned to a market economy. '

LACK OF EXPERIENCE OF PHILANTHROPY

The lack of experience of philanthropy is itself a problem too. Morozova talks of 'affluent individuals' rather limited experience of attempting to put their charitable activities on an institutional footing'. Grigory Okhotin talks of the 'many troubles we

faced when we started our crowdfunding campaign. Banks refused to work with us because they said we were extremists.’

When it comes to investments in social business, Natalia Zvereva sees problems on the investor and investee side. According to a survey conducted by Our Future Foundation among active social entrepreneurs (more than 700 people across Russia participated in the survey), the main need of micro and small social businesses is for financial resources provided on special terms. Investors are beginning to realize the importance and effectiveness of social investment, she says, ‘but this process is still very slow’.

On the investee side, she says, social projects are inadequately prepared for investment, while social entrepreneurs are wary of investors and reluctant to allow them to interfere in their activities, failing to understand what social investment is and why it is better than the usual loans from the bank.

If community philanthropy is to develop, says Avrorina, examples of successful social technologies and projects will be very important. ‘Tools will be needed for assessing the needs of the community, searching for points of growth and analysing opportunities and unrecorded, undervalued resources. Organizations will need to use resources transparently and efficiently and build a system of cooperation with different residents’ groups.’

Another difficulty facing organizations developing local philanthropy, she says, is local elections, which bring changes not only in people in authority but also in priorities for local development. ‘This means rebuilding relationships and finding new points of collaboration and cooperation again. This is a serious constraint on organizational sustainability, especially in remote areas.’

LACK OF PHILANTHROPY INFRASTRUCTURE

Despite recent developments in this area, several commentators identify the relatively underdeveloped infrastructure of philanthropy and the non-profit sector as a problem. The geographical distribution of infrastructure is very uneven, mostly concentrated in Moscow and a few other big cities, and given the size of Russia this is an issue – one that companies and large foundations are increasingly trying to address through their philanthropy, says Boldyreva.

Avrorina emphasizes the importance of having support centres and strengthening collaboration between organizations working on solving social problems in the same area, while Zvereva pinpoints the need for ‘different platforms for networking and cooperation within the sector, further professionalization, and better coordination and partnership’.

GOVERNMENT ATTITUDES AND REGULATORY ISSUES

In general, the legislation is not favourable enough to institutional donors, says Bakhmin, reflecting the fact that ‘government doesn’t see the strategic importance of philanthropy’. For Okhotin, too, the ‘most negative things standing in the way of philanthropy development are the state and the lack of any legal framework’. The major foundation law was adopted in 1996, says Oracheva, and it is not fitting well with new practice in philanthropy. Business representatives talk about ‘the lack of a legislative framework, of a clear state policy for charity support’, says Avrorina.

There are two more specific problems with the legislation: 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.

Lack of tax incentives

‘I’d say that one of the main barriers to the development of philanthropy is the lack of tax allowances for corporations investing money in charity,’ says Chernyshkova. ‘There is no material encouragement, no stimulating measures for socially responsible companies.’

Despite years of efforts to form a system of tax incentives for socially responsible business, there is no clear mechanism yet, says Avrorina, while Zvereva bemoans the absence of special legislation and tax incentives for social investors.

Discouragement by the state

Almost every commentator mentioned the 2012 Foreign Agent Law, officially ‘On Amendments to Legislative Acts of the Russian Federation regarding the Regulation of the Activities of Non-profit Organisations Performing the Functions of a Foreign Agent’, which means that any charitable organization that receives funds from abroad and engages in ‘political activity’ must register and declare themselves as a foreign agent, which in Russian society means ‘spy, enemy of Russian interests’. Taubina describes it as a ‘state campaign against civil society in Russia’.

As a result of this legislation, a number of foreign foundations including Soros and MacArthur have closed their Russian offices and private foreign funding has declined. The Mott Foundation has stopped all funding in Russia – Mott was a key supporter of community foundation development, so their funding in this area has been much missed.

Another consequence is that Russian benefactors have tended to focus on apolitical programmes such as support for social welfare, education, health and youth and to avoid funding independent civil society organizations with a social or advocacy agenda. The closure of the Dynasty Foundation in October 2015, following its designation as a ‘foreign agent’, can only have reinforced this tendency.

Even before 2012, the legislative situation had been deteriorating for Russian NGOs. Legislation enacted in 2006 introduced burdensome reporting requirements and

registration procedures both for Russian NGOs and for foreign NGOs operating in Russia, and gave the registration bodies new broad powers to audit the activities of NGOs. According to the International Center for Not-for-profit Law, the legislation 'raised special concerns because it allowed for broad and restrictive interpretation'.²⁵

²⁵ Jamey Gambrell (Fall 2004) 'Philanthropy in Russia', *Carnegie Reporter*, Vol 3, No 1.

WHAT IS THE POTENTIAL OF PHILANTHROPY IN RUSSIA?

THE POTENTIAL FOR INDIVIDUAL GIVING

As we have seen, the growth of individual giving by ordinary, middle-class individuals has been identified by Maria Chertok, Oksana Oracheva and others as the most significant trend in Russian philanthropy over the last ten years.

According to OECD projections, Russia could see middle-class incomes soar from a reported US\$870 billion in 2009 to US\$1,448 billion by 2030. Based on this, if middle-class Russians were to give 1 per cent of their income to NGOs it could raise as much as US\$14 billion per year for charitable causes within a generation.²⁶

Viacheslav Bakhmin is optimistic about the future. Giving is ‘easy, comfortable, immediate and fast for everyone who is ready to donate’, he says. All kinds of fundraising technologies (including crowdfunding) are advancing very quickly. As he sees it, philanthropy is shifting ‘from being a fashion to becoming part of everyday life’. The role that charitable organizations can play in Russia will depend hugely on the further development of individual giving.

What is needed to realize this potential?

To achieve this level of giving, a 2014 CAF Russia report²⁷ recommends that advertising and other promotional efforts focus on the benefits of giving regularly – to encourage the transition from one-off donations to regular, strategic giving. To this end, mechanisms should be developed to allow monthly giving from donors’ bank accounts, credit cards or digital wallets. The fact that 34 per cent of individuals make donations online is a good starting point, giving NGOs and fundraising foundations the chance to build a relationship with their donors.

To overcome the barrier of mistrust, potential donors should be provided with high-quality information on NGOs from a variety of trusted sources. This information should convey what the organization does, and include practical details on how to help. Reliable statistics on philanthropy; regular, in-depth research; and effective distribution of information about which models of social problem solving are proven to be working will be needed. At present little such information is available.

Key here is getting the media more interested in reporting on the activities and achievements of charitable foundations and on social issues in general, particularly on TV. The fundraising foundations need ‘better tools to communicate the problems

²⁶ CAF Russia (October 2014) *Russia Giving*.

²⁷ CAF Russia (October 2014) *Russia Giving*.

and ways to solve them, which will lead to wider support and more donations’, says Alla Romanovskaya.

Employers have yet to recognize the role they play in the promotion of the culture of individual giving, according to CAF Russia. ‘They are a reliable source of information about NGOs and can make their employees’ first steps in the field of giving safe and comfortable, and support them by introducing payroll giving programmes.’²⁸

For the development of philanthropy in Russia, a vision of the role of philanthropy and its importance at official level is needed, says Bakhmin. ‘The state and society should acknowledge the value of the activities of charitable foundations and NGOs,’ says Morozova.

Trust or confidence?

How do you overcome mistrust? An interesting insight comes from Maria Chertok, who had recently attended a meeting on technology and philanthropy. ‘Will technology help to build trust?’ it was asked. ‘No’ was the answer. ‘But it might help build confidence.’

So what is the difference between trust and confidence and why does it matter? Trust is a personal thing, an emotional thing. People in Russia haven’t trusted each other, let alone government and organizations, for a very long time. Mistrust is a default feeling; trust cannot be engineered.

Confidence, on the other hand, is a much more practical matter. People can feel confident, for example, that NGOs will use money for the purpose for which it was given. In fact, as mentioned above, knowing for sure how their money will be spent is the main thing that would encourage Russians to donate more. So confidence is something that can be engineered – and technology can help.

The conclusion: NGOs might therefore be better to focus on building confidence in the public and prospective donors – something that can be achieved – rather than building trust, which probably can’t be.

WHAT ROLE FOR FOUNDATIONS?

Fostering social innovation is seen as a key role for Russian foundations. Corporate philanthropy could help to ‘develop new models for solving social problems in the regions’, says Elena Chernyshkova. Foundations could act as laboratories to create models for resolving social issues, with the aim of replicating and expanding them later, says Maria Morozova. ‘Foundations could become integrators of innovative processes in the social sphere. They could act as catalysts of citizen activism, helping to build stable ties between people in order to create common efforts.’

²⁸ CAF Russia (October 2014) *Russia Giving*.

In addition, she says, they could become advocates for the most vulnerable social groups in order to influence the attitudes of society at large and the state towards them – a role that

Alla Romanovskaya also identifies for fundraising foundations, which, she says, ‘could make our country much more friendly to people with particular needs and their families’.

A strength of philanthropy is its diversity and flexibility. There are hundreds of charitable foundations working in different areas, says Bakhmin, including innovative and unpopular ones, such as supporting the development of social institutions, the infrastructure of philanthropy, venture philanthropy and strategic philanthropy. ‘Philanthropy can be an innovation lab or provide emergency assistance as needed,’ he says. ‘It is aimed at sustainable development, sustainable consumption, and thrifty use of resources.’

What is needed?

Better systems for distributing information about what works and what doesn’t will be needed. ‘If information of this kind were to become available to the state, successful models piloted by foundations could be adopted and scaled to national level,’ says Chernyshkova.

The development of institutional philanthropy would be helped by legislation stimulating private giving and business donations and the repeal of some harmful laws (the Foreign Agent Law, for example). Development of more transparent and effective mechanisms for collaboration with the government at local, regional and federal level could also help, as could more official encouragement of businesses to engage in social projects.

Also needed is increased professionalism and self-regulation in foundations and NGOs, so that high-level professionals become interested in working in the sector.

WHAT ROLE FOR SOCIAL JUSTICE PHILANTHROPY?

‘I would love to see a day when support for human rights work within Russia by ordinary Russian people and Russian business becomes a sustainable tradition,’ says Natalia Taubina. ‘If and when that happens, we can move from the term charity to the term social justice philanthropy.’

Looking ahead five years, Grigory Okhotin is ‘quite optimistic. Fundraising from the public within Russia for human rights causes will grow and grow – it’s becoming more and more difficult to get foreign money. More people are now familiar with online transactions and with philanthropy,’ he says. ‘Alexei Navalny is important because he is a pioneer in teaching people that it’s normal to give financial support to political and human rights organizations, not just those working on social issues. A

hundred thousand people support him, all familiar with supporting civil society in this way. Increasingly it's seen as normal to pay if you want to have civil society around you; just ten years ago it wasn't normal.'

Both he and Taubina hold out a vision of an active society with active citizens; sustainable civil society organizations working on human rights issues and able to communicate effectively with society in general; and a comfortable environment for the work of such organizations created by the state.

WHAT ROLE FOR COMMUNITY PHILANTHROPY?

Today there are about 70 community foundations in Russia and more than half of them are 'rural funds' in remote, non-industrialized areas, with almost no money and no big business. The potential for developing community foundations in rural areas and small towns is huge, says Larisa Avrorina, given the ongoing search for effective ways to mobilize resources and effect social change. 'Local community foundations meet these needs,' she says, 'as they are institutionally developed organizations uniting the interests of different groups of people and contributing to the revitalization and mobilization of primarily local resources.'

In urban centres you have highly educated and literate young people, says Jenny Hodgson. 'There is huge potential to mobilize resources. The challenge is to link these resources to work on the ground in marginalized, overlooked communities. Collective giving has a huge impact: one and one can make three. But the links are not yet established. Crowdfunding and community philanthropy institutions are not yet intersecting with each other.'

WHAT ROLE FOR IMPACT INVESTING?

Natalia Zvereva sees great potential for impact investing and social business. Social investors could effectively complement the state's efforts to solve social problems in conjunction with social entrepreneurs, she says. They could also promote the development of such advanced tools as concession agreements on social facilities and social impact bonds.

Her ideal vision for the development of the sector is far removed from what exists today. She sees a community of social investors using different investment instruments, with tools for independent evaluation of the effectiveness of social projects and organizations. Local pilot projects would be financed by private social investors and evaluated. Simple mechanisms for outsourcing state social services to social enterprises would be developed throughout the country, including the use of instruments such as social impact bonds.

What is needed?

In Zvereva's view, the state could 'have a huge impact on social investment if it rejected its "service fee" strategy for public procurement (in most cases at minimal prices) and moved towards a "pay-for-results" practice'. The state could also promote the development of social investment through tax incentives.

What is needed, she says, is an environment where impact investors and project leaders could come together and personally familiarize themselves with the most interesting projects, 'feel the taste of social investment, the enthusiasm. Our Future Foundation is engaged in the formation of such infrastructure.'

PEOPLE CONSULTED FOR THIS STUDY

- Alexandra Boldyreva, executive director of the Russian Donors Forum
- Alla Romanovskaya of Starost v Radost (Enjoyable Ageing)
- Arina Gaba, fundraising director of the Podari Zhizn (Gift of Life) Foundation
- Elena Chernyshkova, executive director of Sistema Foundation
- Grigory Okhotin, co-founder of OVD-info
- Jenny Hodgson, executive director of the Global Fund for Community Foundations
- Larisa Avrorina, manager of CAF Russia 's community foundations development programme
- Maria Chertok, director of CAF Russia
- Maria Morozova, managing director of the Elena & Gennady Timchenko Foundation
- Natalia Taubina, director of the Public Verdict Foundation
- Natalia Zvereva, director of Our Future Foundation
- Oksana Oracheva, general director of the Vladimir Potanin Foundation
- Viacheslav Bakhmin, philanthropy consultant

Published by Philanthropy for Social Justice and Peace
in association with CAF Russia, *Alliance* and WINGS

January 2018



www.psjp.org



www.cafrussia.ru



www.wingsweb.org



www.alliancemagazine.org