



PHILANTHROPY IN RUSSIA OCT, 2021

Overview

Philanthropy in Russia is, in summary, complicated.

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.¹

Another way of measuring this is by the nonprofit culture in the country. Russia has 140,000 NGOs with an adult population of 34 million.² In the U.S., there are 260 million³ adults and an estimated 1.5 million nonprofits.⁴ This means there are 242 people for every Russian NGO versus 173 people for every U.S. nonprofit. Based on a nonprofit-population ratio, Russia has 72 percent of the U.S. nonprofit presence.

However, Russia's charitable giving ranks among the lowest 25 percent among the 139 countries surveyed. This would indicate that while the presence of nonprofits is increasing, charitable giving is not pacing with this growth. Seemingly, NGOs in Russia are funded largely through other sources than in-country philanthropy, such as government funding or international aid.

History

It is common to see philanthropy have an adverse relationship to a socialist economy. When people are taxed more to afford a larger role for government, the government is expected to fund all social services and needs. This is even more true when the socialist economy is coupled with a Communist government. Philanthropy is often associated with capitalism. As academic James Gambrell said, "In Soviet times, 'charity' or 'patronage' was considered a demeaning, manipulative capitalist practice and was forbidden."⁵

When Communism fell in 1989, changes abound including the beginning of a more professionalized culture of philanthropy. Private and corporate foundations, fundraising foundations (similar to nonprofits), endowment foundations, and community foundations all began to form. However, giving only really began to develop in the early 2000s when companies were able to privatize and wealth began to accumulate, making individual giving less than twenty years old.

¹ <http://www.psjp.org/wp-content/uploads/2018/01/Philanthropy-in-Russia-January-2018.pdf> (Page1)

² <https://academic.oup.com/gerontologist/article/56/5/795/2605358>

³ <https://worldpopulationreview.com/countries/united-states-population>

⁴ <https://learning.candid.org/resources/knowledge-base/number-of-nonprofits-in-the-u-s/#:~:text=According%20to%20the%20National%20Center,fraternal%20organizations%20and%20civic%20leagues.>

⁵ Jamey Gambrell (Fall 2004) 'Philanthropy in Russia', Carnegie Reporter, Vol 3, No 1. Quoted in the WINGS/Foundation Center report cited in note 3



Current state of philanthropy

Today, Russian philanthropy has both a push and pull culture. Some areas are quickly developing and encouraged such as the presence of fundraising organizations and corporate philanthropy, while other areas are not only non-existent such as venture philanthropy, but discouraged such as human rights organizations, advocacy and foreign aid.

Government is sending mixed messages. On the one hand, government grants are available if the cause helps support social issues at less cost than government programs. However, the Soviet government has been known to shut down foundations and organizations it labels a “foreign agent”. This label occurs when organizations either receive international funding from unapproved sources or the organization is focused on a message deemed subversive to the Soviet agenda. The latter are typically organizations working on social justice or human rights.

Vladimir Putin supported the formalizing of the nonprofit sector in 2016 at the Federal Assembly when he said,

I ask the Civic Chamber and the Agency for Strategic Initiatives to become proactive in supporting volunteer organizations, 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. I instruct the Government and the Parliament to finalize efforts to devise a clear legal framework for non-profit organizations as providers of socially important services.⁶

The President approved a tax deduction for philanthropic giving. Additionally, Putin tasked the government to funnel 10 percent of all social services funding into nonprofit organizations. While this seems like a vote of confidence for nonprofits, some say it is a way to control rather than support social services. Additionally, because socialism and philanthropy have a historically adverse relationship in Russia, government support might empower nonprofit operations but public funding will not necessarily create a positive trend for individual giving.

Propensity to give

While the nonprofit sector is starting to build, individuals remain distrustful of NGOs. The government has branded several NGOs as “foreign agents” and is not friendly to those who support them even if the brand occurred retroactively to the gift. As a result, people want to avoid becoming adversaries of the state by association with these negatively labeled NGOs.

Additionally, NGOs in Russia are not as established with a strong set of rules and regulations thereby lacking strong systems of accountability. As many as 65 percent of Russians are convinced that money given to an NGO will never reach the end beneficiary.⁷ As a result, while government funding is now

⁶ <http://en.kremlin.ru/events/president/news/53379>

⁷ <http://www.psjp.org/wp-content/uploads/2018/01/Philanthropy-in-Russia-Summary.pdf#:~:text=Corporate%20philanthropy%20is%20a%20major%20sector%20in%20Russia%2C,of%20the%20owner%20than%20those%20of%20private%20foundations.>



streaming into these organizations, individuals are witnessing their tax funding going into these organizations with little accountability to report on impact.

Philanthropic activity

Areas that are more likely to be funded by Russian foundations include education (higher education typically), arts (museums), the Orthodox Church, vulnerable populations such as children, orphans, the elderly and the poor and recently, scientific research. Public fundraising appeals are not yet sophisticated. For example, fundraising campaigns will often appeal to emotions by showing sad faces of impoverished children in television commercials to secure small, one-time gifts via SMS (text messages).

Currently, corporate donors are the largest group of philanthropists. According to the Charitable Aid Foundation Russia report of 2015, the largest Russian companies devote five to ten percent of net profit to corporate social responsibility (CSR) and corporate philanthropy totaling approximately US\$746 million. Second to that are community foundations that work in a specific region that fundraise from individuals and corporations and grant to local NGOs and beneficiaries. There are 70 community foundations (CFs) throughout Russia, of which 19 of them work in urban centers, 35 in small towns and 16 in rural areas.⁸ Lastly, while there are only 20 private foundations, AKA family foundations in the U.S., these entities are on the rise as more households acquire wealth.⁹

CFs are becoming critical to Russian philanthropy. They bridge government support with hard-to-reach rural communities. It is rare for a CF to be classified as a foreign agent. And, as individual philanthropy begins to grow, it is first flourishing among CFs as the most trusted entity of either foundations or nonprofits among all donors including individuals and the government. CFs have started to conduct public fundraising during Giving Tuesday and through online events. It will likely be through CFs that individual giving will become more vibrant. As such, it is through CFs that global institutions for philanthropy have begun to partner and invest resources in order to build a new culture of individual giving in Russia.

Conclusion

With the changing ecosystem in Russia, the people are starting to shift their attitude towards societal change. No longer are they solely looking to the government to solve social issues. And, as this culture changes, so is the appetite for philanthropy. Within just two decades, an unprecedented culture of nonprofits and giving have developed. While the State continues to be an obstacle in many ways, it is also beginning to engage and invest in philanthropy. Like most seminal movements, philanthropy in Russia is still an underregulated frontier filled with entrepreneurs, pioneers, lack of transparency, and distrust. As systems of regulation and accountability are introduced, more engagement will be experienced via trusted allies and leaders of the philanthropic sector. In the meantime, organizations and funders should remain wary of the dynamics in Russia and ensure partnerships can speak to the ways they avoid the classification of “foreign agent” within Russia’s current philanthropic state.

⁸ <http://www.psjp.org/wp-content/uploads/2018/01/Philanthropy-in-Russia-January-2018.pdf> (Page 10)

⁹ <https://www.cafonline.org/about-us/publications/2015-publications/russia-giving-2015>