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# The 2022 Global Philanthropy Environment Index Russia

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## QUICK FACTS

**Legal forms of philanthropic organizations included in the law:** Association, Endowment, Foundation, Institution

**Five main social issues addressed by these organizations:** Arts and Culture, Basic Needs, Health and Medical Services, Human Rights, Youth and Family

**Average time established by law to register a philanthropic organization:** 0-30 days

**Average cost for registering a philanthropic organization:** USD 80 (decrease due to inflation)

**Government levels primarily regulating the incorporation of philanthropic organizations:** Central/Federal Government, Local Government

The Federal Ministry of Justice (MoJ) has regional departments in every region of Russia. A regional department of MoJ is responsible for regional and interregional organizations, and the Federal MoJ is responsible for the registration of all Russian organizations.

## Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	3.33	3.65	3.50	3.15	3.50	3.50	3.44
2018 GPEI	3.33	3.50	3.50	2.80	N.A.	3.50	3.33

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

## Key Findings

### I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

*The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.*

Question One: To what extent can individuals form and incorporate the organizations defined?

<b>Score: 3.5</b>
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Endowment foundations were introduced with Federal Law No. 275-FZ “On the Procedure for Formation and Use of Endowment Capital by Non-Profit Entities” of December 30, 2006, providing for the creation of endowments for foundations, including philanthropic organizations (POs), public institutions and religious organizations (Jakobson et al., 2018). Amendments introduced in 2020 by Federal Law No. 282-FZ “On Amendments to Federal Law On Charitable Activities and Volunteering” and the Federal Law “On the Procedure for Formation and Use of Endowment Capital by Non-Profit Entities” eased some restrictions on endowments and made it possible for POs to invest in stock and earn higher income through their endowments.

For more information, please see the 2018 Russia Country Report available here: <https://scholarworks.iupui.edu/handle/1805/15991>

Question Two: To what extent are POs free to operate without excessive government interference?

<b>Score: 3.5</b>
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Philanthropic organizations are somewhat inhibited in their internal governance due to rules and regulations, and have impediments on the purposes of their activities. Organizations are free to communicate through various media channels but are somewhat restricted in their cooperation with domestic and international entities. There are some concerns about the political activity of charitable organizations, because of the possible status of foreign agents the organization may have (Federal Law No. 129-FZ On Amendments to Certain Legislative Acts of the Russian Federation), but from the legal point of view, charitable activities are excluded. The reporting requirements are clear, but not well known by all organizations. Charitable organizations are not under state pressure in the current political situation. However, another problem has emerged in the last few years: there has been a surge in registered, fake charitable foundations that engage in aggressive, illegal fundraising activities. This fact influences the public image of the whole sector. In response, changes in the legislation were adopted in 2020 regulating the procedure of donations through money-boxes in public places and introducing administrative responsibility for the illegal collection of donations.

Question Three: To what extent is there government discretion in shutting down POs?

**Score: 3.0**

There has been no change since 2018. For more information, please see the 2018 Russia Country Report available here: <https://scholarworks.iupui.edu/handle/1805/15991>

## II. Domestic Tax and Fiscal Issues

*The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.*

Question Four: To what extent is the tax system favorable to making charitable donations?

**Score: 3.8**

Individuals have access to income tax deductions. The ceilings on such incentives are moderately high (up to 25 percent of one's yearly income). The process of receiving tax benefits is clear and consistent. The amount of time and resources needed for filing taxes are not always reasonable but they are acceptable. However, "legal entities cannot claim a tax deduction or credit at the federal level for contributions made to non-commercial organizations (NCOs), including charities" (Council on Foundations, 2021). Article 217 of the Tax Code establishes that one-time payments (including in-kind donations) made to taxpayers in the form of humanitarian aid (assistance) and in the form of charitable assistance provided by duly registered Russian or foreign charitable organizations (funds, associations), are tax-exempt. In 2020, legal entities were given an opportunity to include in their overhead costs, while calculating the tax base for the organizations' income tax, expenses in the form of the cost of property, including monetary assets, donated to POs in an amount not exceeding 1 percent of the revenue from sales (RF Tax Code, Art. 265, Para 1).

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

**Score: 3.5**

Only charitable organizations are eligible to receive significant tax exemptions. The purposes of charitable activities are stated in the Law on Charitable Activity and Charitable Organizations (Article 2). Charitable organizations can carry out charitable activities aimed at achieving the objectives for which they were created, as well as charitable activities aimed at achieving the objectives stipulated by law. Charitable organizations can also engage in activities to attract resources and engage in entrepreneurial activities only for the purposes for which they were created, and relevant to these objectives (Article 12). The profit from these economic activities is generally taxed as commercial income. Donations to charitable activities are always tax exempt (Tax Code, Article 149). The process to receive the tax exemption status is clear and consistent, and requires a reasonable amount of resources and time. A wide variety of organizations are eligible to receive such tax benefits. Organizations are able to raise a significant amount of funds from private sources. The Tax Code of the Russian Federation provides for a reduced insurance premium for the wages fund: 20 percent instead of the standard 30.02 percent for charitable organizations until 2024 (RF Tax Code, Art. 427, Para 1).

### III. Cross-Border Philanthropic Flows

*The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.*

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

<b>Score: 3.5</b>
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There has been no change since 2018. For more information, please see the 2018 Russia Country Report available here: <https://scholarworks.iupui.edu/handle/1805/15991>

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

<b>Score: 3.5</b>
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There has been no change since 2018. For more information, please see the 2018 Russia Country Report available here: <https://scholarworks.iupui.edu/handle/1805/15991>

### IV. Political Environment

*The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.*

Question Eight: To what extent is the political environment favorable for philanthropy?

<b>Score: 3.5</b>
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There is growing collaboration between the government and the philanthropic sector. The government is open to recognizing the role of philanthropic organizations as change agents and, on certain occasions, has encouraged the participation of philanthropic organizations in implementing public programs. Nevertheless, there is no great government support toward charitable programs in terms of money allocated to charity. There have been talks to transfer some social duties to the nongovernmental sector, and the government has promised to finance social services. There is an acceptable level of political and economic stability in the country that is favorable to the success and growth of philanthropy, although this growth is not always in full compliance with the law. In late 2019 the new Concept for Facilitating the Development of Charitable Giving was approved by the Russian government. The concept envisions growing possibilities for further cooperation between the philanthropic community and the state at different levels and in different areas.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 2.8

There has been no change since 2018. For more information, please see the 2018 Russia Country Report available here: <https://scholarworks.iupui.edu/handle/1805/15991>

## V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 3.5

The economic problems caused by the COVID-19 pandemic have negatively affected philanthropic giving on a global scale. Russia is no exception to the global trends. According to a survey conducted by the Center for Studies of Civil Society and the Nonprofit Sector at the National Research University Higher School of Economics in 2020, the share of everyday Russian citizens who did not make donations has increased: 42 percent of adult Russians did not make any donations in 2020, whereas in 2019, only 36 percent of Russians did not make donations. Similarly, fewer people gave alms or donated through money-boxes. The changes may possibly be attributed to the negative impact of self-isolation. At the same time, the pandemic crisis highlighted the mobilization nature of Russia's civil society: new volunteering and philanthropic initiatives in support of medical workers and people in self-isolation are being created and funded by the people. Therefore, it can be expected that declining incomes will not result in a major decline in philanthropic activity.

## VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 3.5

There has been no change since 2018. For more information, please see the 2018 Russia Country Report available here: <https://scholarworks.iupui.edu/handle/1805/15991>

## VII. Future of Philanthropy

*These questions are used to provide a general picture of the future of philanthropy in this country, as well as recommendations to improve the philanthropic environment.*

Current state of the philanthropic sector

The charitable sector in Russia is slightly improving. In general, Russians are more willing to get involved in charitable practices informally. At the same time, there are infrastructure organizations supporting the development of philanthropy in the country. There are more than 11,000 foundations (Jakobson et al., 2018), with more than 11,600 registered as charitable organizations by early 2018 (Volunteering and Charity in Russia...2019, p. 12). According to the data of the All-Russia civil society monitoring (Center for Studies of Civil Society and the Nonprofit Sector, 2020), 63 percent of

Russians made monetary donations before the pandemic (56 % in the year of the pandemic). Finally, corporate philanthropy is developed.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. The new Concept for Facilitating the Development of Charitable Giving in Russia approved by the government in 2019.
2. The development of new online services facilitating private donations.
3. A recent Presidential Decree for the launch of a state foundation to support children suffering from rare diseases. Father Alexander Tkachenko, the founder of the first children's hospice in Russia, has been appointed in charge of this state foundation. The budget of the foundation will come from raising income tax for the wealthy from 13 percent to 15 percent.

Future development trends in the philanthropic landscape

Rising demand for philanthropic support among nonprofits and their clients; consolidation of financial and organizational resources of various actors contributing to philanthropy; strengthening horizontal and vertical partnerships; professionalization of POs; innovative forms of online fundraising.

Three key recommendations to improve the environment for philanthropy

- Do not change any charity-related legislation. Keep the current changes in legislation that have been conducive to the growth of philanthropy.
- Pay attention to measures to check the growth of fake philanthropy.
- Increase transparency of the charity activity taking place in this country.

### VIII. Philanthropic Response to COVID-19

*These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.*

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

During the pandemic, both businesses and philanthropy played a visible role in responding to the pandemic, launching a variety of charitable activities in various areas, such as making monetary donations to support medical workers, initiating procurement of personal protective equipment for hospitals, providing medical workers with hot meals at the place of work, and establishing coffee-points at the hospitals. The healthcare sector received the most substantial financial support during the pandemic from two-thirds of those who donated (66%). The financial support most often was provided by those who were engaged in charitable donations in 2019 (Mersianova 2021).

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

A study conducted by Deloitte describes a new trend, mostly indicative of the younger generation: during self-isolation, 41 percent of consumers provided target support for their favorite shops, cafes and retail businesses that made arrangements to ensure the security of customers (RBC 2021). Self-

isolation spurred the digital transformation of nonprofits and POs, including online fundraising. The COVID-19 crisis also contributed to strengthening partnerships at the local level, with the growth of neighborhood self-help communities.

### Impact of COVID-19 on the philanthropic environment

One of the most essential trends brought about by the pandemic, which impacted the environment for philanthropy, was a shift of philanthropic foundations away from systemic, strategic philanthropy that only recently started to emerge in Russia, in favor of direct financial and material support responding to the immediate needs and requests of vulnerable population groups who suffered from the pandemic consequences, lost their jobs, etc. Another new trend is the redistribution of individual monetary donations among strangers in need. However, family or friends in difficult circumstances are still preferred to strangers in need. According to a national population survey, two-thirds of the respondents provided financial support to their family and their close circle of friends, only 25 percent of respondents made donations to strangers, and 32 percent donated to POs and religious entities. The amount of donations to strangers is also noticeably lower than the support provided to family and inner circle (Mersianova, 2021).

### Anticipated impact of COVID-19 on the philanthropic environment in 2021

The scope of the COVID-19 pandemic and its many-sided effects give every reason to anticipate that the number of citizens in need of direct social support and charity will be on the rise in the short-term. This will increase societal needs of the services provided by nonprofits and charitable resources of POs. However, many smaller and relatively new nonprofits may not stand a chance of surviving the pandemic. Similarly, small and medium enterprises (SMEs), especially in the regions, will reduce the amounts of the charity programs, and many may cease to exist. These trends may negatively affect the resource base of the national charitable sector. In this context, the consolidation of resources (financial, institutional, and organizational) of various players contributing to charity (POs, civil society organizations, businesses, governments, and volunteers) will become an urgent necessity. This will enhance the scope of various kinds of partnerships, both horizontal and vertical, consolidation of programs, and joint projects. The dwindling resources of the charitable sector will advance the issues of the effectiveness of charitable programs and the professionalization of the philanthropy sector. Also, the trends that have surfaced during the pandemic will continue to take shape, including online fundraising tools and practices of donor relationship management.

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