

# Foundations in Russia: Evolving Approaches to Philanthropy

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## Abstract

This article discusses the contemporary state of philanthropic foundations in Russia. It traces the evolution of Russian philanthropy from the Imperial period through the Soviet times and the upheavals of the 1990s to today. Historically, foundations lacked a legal footing, not only under socialism but also during the Tsarist Empire, and while a new legal framework was introduced in the 1990s, the political and economic turmoil of the decade prevented the emergence of notable foundations until the turn of the millennium. Since then, the Russian foundation sector has steadily been growing, featuring foundations related to large business fortunes and corporations as well as successful fundraising and local community foundations. Particularly, foundations tied to business interests and corporations still face expectations to contribute to social and other public services in the tradition of Soviet-era state enterprises. An important difference between Russian and American and other Western foundations is that Russian foundations typically do not have endowments, but operate on ongoing pass-through funds by the founder.

## Keywords

Russia, philanthropic foundations, nonprofit and foundation sector, charitable activities, government and civil society

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## Introduction

More than a quarter-century after the end of the Soviet Union, the evolution of an independent foundation sector in Russia is still a work in progress. A legal, economic, and social framework to provide an operational environment for foundations emerged only very slowly after 1991 and is still in the process of being fully formed. The economic reform agenda of the 1990s largely sidelined the emerging third sector as a whole.<sup>1</sup> Although philanthropic activity in general has made great strides since then—nearly 60% of the Russian population gives to charity (Mersianova et al., 2015)—foundations, in particular, have only in the very recent past seen an accelerated development.

Accordingly, Russia's foundation community is still very small, closely tied to the business sector, especially the new Russian wealth, and generally seeks to complement rather than challenge the state. Overall, Russia is closer to Germany than the United States in the closer orientation to the state and the reliance on public institutions in education and culture to pursue their work rather than the heavy focus on being funding intermediaries for the nonprofit sector that is the traditional hallmark of foundations in the United States (Toepler, 2016). American foundations, and many other Western funders, established a significant presence in Russia during the transition of the 1990s. In an increasingly difficult environment for foreign funders during the 2000s, most international foundations began to depart and the last of the American foundations, MacArthur, Mott, and Open Society, were blacklisted as undesirable organizations in 2015 and subsequently closed operations in Russia. While a few foreign funders, such as the German political foundations, are still operational, this article focuses on domestic philanthropic foundations.

In the following, we will first provide a brief historical overview of philanthropy in Russia, noting the lack of a historical antecedent for foundations that even predated the Soviet period, before describing the legal treatment of foundations. We then discuss the current size and scope of the sector and its relations to state, the market, and civil society and conclude by assessing it comparatively.

## Historical Overview

As Russia transitioned from medieval monarchy to absolutist empire early in the 18th Century, the Orthodox Church was administratively subordinated to the state which began to exert close control over its economic and social activities. Religious charitable institutions, such as poor houses and hospitals, were not excluded from state control. However, without establishing specialized entities, the Church directly engaged in charitable activities, that could be understood as a remote precursor of modern foundations. Entities somewhat similar to modern foundations appeared in Russia only at the turn of the 18th and the 19th century and combined features of both foundations and government agencies. Such public/private hybrid entities emerged through the ruling family's direct involvement in philanthropic undertakings.<sup>2</sup> Among the first of these was the Benefaction Society, created by imperial decree in 1802 to care for the poor. Tsar Alexander I and his mother, Dowager Empress Mary, served as royal patrons

and main donors, but the Society was otherwise financed by private donations. As the Society evolved, its reliance on private donors gradually increased, while it became ever more closely integrated—even formally—with the state bureaucracy. In 1814, it was renamed the “Imperial Humanitarian Society” and beginning in 1858, its staff gained civil service status. Another example is the agency for supervision of Empress Mary’s institutions which was primarily concerned with promoting education for women, while also caring for orphans, widows, and disabled. The agency sprang from a division of the private office of the Dowager Empress who was a key figure in the emergence of an institutionalized charity in Russia. After her death, the work that she had started was transferred to the state. However, until its dissolution in the wake of the Revolution of 1917, the agency retained features of a charitable institution (Maximov, 1907; Ulyanova, 2005).

In the first half of the 19th century, a limited number of voluntary charities not associated with the state was allowed to operate. However, they were placed under rigid administrative control, while only a narrow circle of the highest nobility and a handful of the wealthiest merchants was involved in their activities. Philanthropic activity further evolved in the 1860s in the context of a liberalization of many aspects of social life and the emergence of a relatively sizable bourgeoisie with considerable economic means at their disposal. During this period, the social framework for institutionalized charitable activities continued to expand and became legally regulated. Many of the charitable societies that began to form in the late 19th century resembled modern foundations in the nature and organization of their activities. However, the law of the Russian Empire never recognized foundations as legal entities with specific rights and duties.

The absorption and integration of charitable activities into the state that was a hallmark of Imperial Russia continued near seamlessly over the 7 decades of the Soviet Union’s existence. The revolution of 1917 expropriated private property and not only put an end to previous charitable institutions but also disrupted for a long time the foundations for the emergence of new ones. In the first decades of Soviet rule, there were not enough discretionary resources to devote to charity, unwarranted private initiative was discouraged, and the creation of entities independent from the state was politically dangerous. The idea of charity was itself viewed as a bourgeois challenge to the state’s absolute monopoly on economic and social matters. Charity was not legitimized until the World War II when private donations to finance production of military equipment and collection of goods for the army were approved. The Church also joined charitable activities in support of the army at war after the state encouraged it to do so by releasing dozens of bishops and hundreds of priests from prison. However, after the war, the Church was not legally allowed to formally resume general charitable activities.

This marked somewhat of a turning point. After the war, the state not only maintained the practice of encouraging private donations for the purposes deemed important but also established special institutions. Called foundations, the state-created institutions would formally and in part intrinsically reproduce the practices characteristic of charitable foundations in the West. While formally being nongovernmental

entities, they were nevertheless controlled and guided by the authorities, which nominated members to their management board and encouraged state-owned enterprises to finance them. Meanwhile, many individuals would willingly donate to these foundations as well. Thus, the history of the first large charities in Russia at the time of Alexander I repeated itself in certain respects.

In 1961, the Soviet Foundation for Peace was established. It was one of the Soviet Union's soft power instruments, in particular, financing humanitarian aid and various public events worldwide. As the number of state-controlled foundations grew later on, their activities were generally focused abroad rather than within the Soviet Union. The golden era for such foundations was Gorbachev's perestroika characterized by a trend to combine the state's indisputable domination with the emergence of a large number of niches for various initiatives. For example, the still existing Children's Fund and the Cultural Fund date back to the perestroika years. In addition to these foundations resembling Western charities, the Soviet Union had mutual aid funds for persons of creative occupations: men of letters, artists, and so on, pursuing similar functions. These were also state controlled in terms of membership, size of contributions and payouts, nominations to management boards, and so on. However, like imperial Russia, Soviet law also provided no general definition of a "foundation" or of a "nonprofit entity."

This changed of course after 1991 with the introduction of the new civil code and additional legislation on nonprofit organizations and charitable activities in the mid-1990s. As foundations became legal entities for the first time, however, the Russian government's lax regulatory oversight and enforcement in the Yeltsin years allowed business and even criminal interests to misuse foundations for all kinds of inappropriate purposes, ranging from conducting business dealings to fraudulent and illicit activities (Livshin & Weitz, 2006). Even prominent, established foundations like the Children's Fund got tarnished with accusations of improprieties, with long-term consequences for public confidence in foundations and philanthropy (Khodorova, 2006; Slocum, 2009). Because of the chaotic legal and economic environment of the 1990s, new and legitimate foundations did not emerge until the very end of the decade.

Also a reflection of the wealth accumulation through privatization and the formation of large-scale private enterprises that was likewise a result of the economic transition of the 1990s, the largest and most prominent of these foundations were mostly associated with the owners of Russia's great fortunes, and included the Vladimir Potanin Charitable Foundation (chair of Interros Holdings) from 1999, the Dynasty Foundation founded by Dmitri Zimin (president of a large mobile phone company) of 2001 and Open Russia, also founded in 2001 by Mikhail Khodorkovsky, then owner of the Yukos oil company, which was closed down again in 2006 (Slocum, 2009). The emerging Russian philanthropy focused primarily on worthwhile social welfare, education, and cultural pursuits.

While the Putin administration started to squeeze foreign funding with the 2006 NGO Law, it welcomed at the same time the emerging domestic philanthropy that focused on supporting public services aligned with state priorities. The year 2006 was also declared the Year of Philanthropy in Russia, encouraging philanthropists to support the government's national projects to improve health care, housing, agriculture,

and education. Generally, the evolution of domestic philanthropy did not prove to be politically problematic (Livshin & Weitz, 2006; Slocum, 2009).

The majority of Russian philanthropy derives from corporate contributions, most of which in turn are not channeled through corporate foundations either, but given directly to mostly state institutions (Khodorova, 2006). Corporations and their philanthropist owners are frequently pressured by the government, often at the municipal level, to maintain social welfare responsibilities that were once provided through the state-owned enterprises of the Soviet times, which also affords them the goodwill of the authorities (Livshin & Weitz, 2006; Slocum, 2009).

The emerging field of philanthropic foundations, by contrast, was still fairly small by the mid-2000s: one estimate put the number of significant private family foundations at 10 with another 20 community foundations, distributing the equivalent of \$70 million in grants. Noting that there were several thousand registered funds, another estimate at the time placed the number of foundations with significant budgets, slightly higher at around 30 private foundations, 20 corporate, and 25 community foundations (Slocum, 2009).

## Definition and Regulation of Foundations

The Civil Code of Russia, in Art 118, generally defines a foundation as a nonmembership, nonprofit entity founded by individuals and/or legal entities on the basis of voluntary contributions of assets that pursue social, charitable, cultural, or other purposes beneficial for public welfare. Further regulations distinguish between *nonprofit foundations* regulated by Federal Law No. 7-FZ “On Non-Profit Organizations” of January 12, 1996 and *public foundations*, subject to Federal Law No. 82-FZ “On Public Associations” dated May 19, 1995. The main difference between public foundations and nonprofit foundations lies in restrictions on who can be founders. While a nonprofit foundation may be founded by both individuals and legal entities (both nonprofit or for profit), a public foundation under Federal Law No. 82-FZ of 1995 must have at least three individuals and legal entities as founders.

Both types may be eligible for receiving charitable status under Article 7 of Federal Law No. 135-FZ “On Charitable Activities and Organizations” of August 11, 1995.<sup>3</sup> In addition to being able to fundraise and receive donations, charitable status affords two special advantages to foundations: the ability to directly support individuals in need and to establish scholarships exempt from income tax for the recipient. In turn, charitable foundations are subject to additional, but not very burdensome reporting requirements and to a 20% limit on administrative expenditures. While charitable foundations of either form can be established by individuals and/or any private legal entity, any participation of public authorities and local governments, wholly state-owned and municipally owned entities, or other public and municipal institutions in charitable foundations is prohibited.

Russian charitable foundations have a variety of options to support their programs, as defined by Federal Law No. 135-FZ of 1995. Charitable foundation may derive assets and income from contributions by its founders, charitable donations from the

public, and fundraising events; and investment income; among others. A foundation may also engage in business activities required to achieve the public welfare goals for which it was established and that is consistent with these goals, including the establishment of, or participation in, economic companies. Also, foundations may establish or participate in other for-profit entities to the extent that this serves the goals envisioned in their charter. The law does not provide for the possibility of foundations' participation in other types of business entities.

Similar to both Germany and the United States, where government postures have been distrustful or even hostile in the past, and foundations faced different, and at times more stringent regulatory burdens, than other charitable nonprofits (Toepler, 1999), Russian charitable foundations are subject to more strict reporting requirements, although they otherwise can benefit from all public support policies as much as any other charitable organization and there is no preferential treatment or other regulatory drawbacks. Nonprofit foundations have, however, an obligation to annually provide documents containing a report on their performance and membership of management bodies to territorial offices of the Ministry of Justice of Russia, as well as documents on expenditures in cash and use of other assets including those received from international and foreign entities, foreign nationals, and persons without citizenship. Moreover, foundations are required to make this information public in annual performance reports on the Internet or through the mass media. Public foundations are likewise required to report to the Ministry of Justice and must annually advise territorial offices of the Ministry of Justice of their intention to continue activities and specify the actual location and name of their standing management as well as information on their officers.

Another annual obligation requires nonprofit foundations, in particular, to publish reports on the use of their property. Moreover, echoing American restrictions on political activity for foundations, Federal Law No. 135-FZ "On Charitable Activities and Organizations" dated August 11, 1995 introduced the following property disposal restrictions: a charitable foundation cannot spend its funds and use its property to support political parties, movements, groups, and campaigns nor can take part in business companies jointly with other entities and so on.

On balance, the legal framework for foundations in Russia, introduced in the 1990s, combines elements of both continental European and American regulatory treatments of foundations. Definitionally, Russia adopted the more general civil law approach, defining foundations as institutions founded around assets rather than membership, while adopting more American-style regulations in terms of reporting and disclosures, as well as political restrictions. At the same time, Russian law grants foundations more latitude in pursuing business activities than the United States, but not quite to the extent that Germany allows foundation ownership of business corporations.

## **Current Scope and Structure of the Foundation Field**

Currently, nearly 11,000 nongovernmental nonprofit entities are registered as a foundation, although only relatively few are active and of any substance. It is worth noting

**Table 1.** Select Public Information Measures of Russian Foundations, 2017.

Select Public Information measures	Percentage
Organization has a web-site	56
Organization has a page in social networks	41
Publishes reports and statements on its events and activities	25
Publishes annual performance reports	21
Publishes financial reports	13

*Source.* All-Russia NPO survey conducted in 2017 as part of the civil society monitoring by the Higher School of Economics with support by the HSE Program for Fundamental Studies. The data were collected by MarketUp Limited who polled NPO managers using a semistructured questionnaire developed by Irina V. Mersianova and Lev I. Jakobson.

that some for-profit and public sector entities are officially called foundations in Russia—the latter similar to American government institutions, such as the National Science Foundation, that are foundations in name only, as noted by Hammack and Smith (2018).<sup>4</sup> This circumstance as well as the not quite transparent nature of operations conducted by many nonprofit foundations makes it difficult to identify the specifics of foundations in the public eye or gain a deeper sense of fields of activity and the financial capacity of the foundation sector at large in Russia. For example, as shown in Table 1, only a little over half of the foundations maintain a website and some 41%—a social media presence. Approximately one out of four publishes reports about the events held (25%) and annual performance reports (21%) and only 13% produces financial reports.

This lack of public information combined with lingering concerns resulting from the misuse of foundations during the 1990s continues to lead to skeptical views of foundations. According to public opinion polling, almost one fifth (22%) of the population feels that Russian charitable foundations cannot be trusted, and an overwhelming majority (73% of respondents) agree that the authorities should ascertain the underlying motivation of the activities pursued by charitable foundations.<sup>5</sup>

Generally, given its very short history, the numbers, assets, and annual spending of the Russian foundation field are still very modest, and data on assets and giving in particular are still virtually nonexistent (Chertok, 2014). Table 2 presents rough estimates of the number of sizable foundations in Russia as of 2017 and a decade earlier, suggesting a limited growth of the field in the intervening years. Another proviso that needs to be introduced relates to what constitutes sizable in the Russian context vis-à-vis the level of financial resources that are available to Western foundations. As one of the earliest and most prominent Russian foundations, Dynasty's grant-making budget in 2015, the year that it ultimately closed down, was not quite \$9 million (Schiermeier, 2015). According to a 2014 Donors Forum report, the annual budgets of some 70 reporting foundations that included the largest private and corporate foundations, averaged only \$6 million; total spending of all Russian community foundations over a 10-year period amounted to \$16.5 million (Chertok, 2014). The resources at the disposal of Russian foundations remain, therefore, limited.

**Table 2.** Estimates of the Number of Sizable Foundations in Russia, ca. 2006/2007 and 2017.

	2006/2007	2017
Private foundations	30	20 (Moscow only)
Corporate foundations	20	25
Community foundations	25	45
Endowment foundations	—	170

With few exceptions (Kovalev, 2015; Voronova & Kara, 2014), Russia's foundation sector has not been the focus of in-depth, large-scale studies to determine capital assets at the disposal of charitable foundations, their support priorities or to identify the challenges they are facing. However, indications of recent dynamic growth have been generating new analytic interest, particularly on community and endowment foundations. Nevertheless, virtually no studies exist on other types of foundations, including private and corporate foundations.

Generally, all foundations operating in Russia today can be conventionally divided into six types of donor entities supporting a variety of socially important projects: private foundations, corporate foundations, endowments, community foundations, fundraising foundations, and government-initiated foundations. However, this is not a legal classification, but one based on the essential characteristics of the foundations. The two legal foundation types, the public and nonprofit foundations, are based on who the founders are, not what the nature or function of the foundation is. Thus, foundations in any of the above six categories can be in principle of either legal type.

Private foundations, established by one individual or family, pursue charitable activities for the most part using their own funds: they are not too many and largely concentrated in Moscow—the capital city has more than 20 large private foundations with total annual budgets of RUB4.5 to 5 billion<sup>6</sup> (in the range of \$80 million). Private foundations in Russia rely on the ongoing support of their founders. As a rule, private foundations do not have endowments. Among all Russian private foundations, only the Children's Fund "Victoria" has established an endowment. The charters of a few other foundations (e.g., The Timchenko Foundation) envision a possibility of establishing an endowment. This is where a key difference lies between Russian and U.S. private foundations: the U.S. private foundations typically rely on endowment income rather than pass-through donations by the founding donor to cover their budgets. The reason that Russian private foundations are not endowed is that the law is not clear as to how, and whether, the status of a charitable organization relates to endowment funds. Russian laws contained no provisions stipulating that endowment capital ought to be used for charitable purposes, until the law on endowments for nonprofits, discussed below.

Second, corporate foundations are established by companies to implement charitable programs (Krasnopolskaya, 2017). To date, 25 such foundations are in operation, established by companies such as AFK Sistema, RUSAL, OMK, and LUKOIL. Many international companies do not have a charitable foundation registered in Russia as a



legal entity but have a global foundation, which supervises charitable activities locally (examples include JTI International established by JTI with headquarters in Switzerland, Alcoa Foundation and IBM Foundation established in the United States by Alcoa and IBM, respectively).

Third, local community foundations are established in a specific geographic territory and accumulate funds from local businesses and individuals to finance social and charitable projects. Introduced in the late 1990s, the community foundation concept took root quickly (Hinterhuber & Rindt, 2004). Now in their second decade of development, they have become a noticeable phenomenon in Russia with 45 local community foundations currently in operation and an additional 13 entities using the model and approaches of local communities to some extent (Avrorina, 2014; Avrorina & Khodorova, 2017; Babintseva & Voronina, 2013; Mersianova & Solodova, 2010). Again in contrast to the American experience, Russian community foundations also typically operate on pass-through funds and do not have endowments. The only exception is the community foundation in Penza, which experimentally established an endowment, that was incorporated as a separate legal entity. The decision to incorporate the Penza Regional Specialized Endowment Management Foundation “Community Capital” was made in 2012. Its founder, the Penza “Civic Alliance” Fund, is a community foundation, which accumulates corporate and private donations to use as investment funds. The investment income is then used for charitable purposes. According to the Foundation’s 2016 Report ([https://penza.capital/wp-content/uploads/2015/09/Report\\_capital\\_2016-1.pdf](https://penza.capital/wp-content/uploads/2015/09/Report_capital_2016-1.pdf)), the Foundation arranged two competitions—an open grant competition and a microgrant competition “Your Initiative.” In 2016, the Foundation rendered free legal services to socially oriented NGOs, which were supported through a subsidy by the Penza Oblast Government. Part of the endowment capital was directed to the Penza Regional Public Charitable Foundation “Civic Alliance” (the same community foundation that had set up this endowment) to support a charitable program “The Source of Hope.” By the end of 2016, the size of the endowment, established on February 20, 2015, amounted to RUB7,061,715 or a little over \$100,000 at the time.

Fourth, endowment foundations as a distinct category were introduced with the Federal Law No. 275-FZ “On the Procedure for Formation and Use of Endowment Capital by Non-Profit Entities” of December 30, 2006. The concept of endowments, with funds invested in securities to generate income and subject to annual inspections by a managing entity, was already known to Russian charitable organizations in the 19th and early 20th centuries (Ulyanova, 2005), but fell into disuse during the Soviet period. Endowment funds under the 2006 law can be created among others for foundations, public institutions, and religious organizations. Endowments need to be legally separate entities that must be managed by qualified management companies under contract on behalf of the recipient institution, the investment income can be used to support the statutory purposes of the recipient and the endowment capital needs to be maintained for at least 10 years. Public institutions such as schools, universities, museums, and other cultural organizations are otherwise unable to hold endowment funds and the introduction of this option was intended to generate private income streams for public institutions to supplement government funding (Chueva et al., 2016). In as little

as a decade since the law was promulgated, as many as 170 of such foundations have been created and the total amount of endowment capital in Russia is already in excess of RUB19 billion<sup>7</sup> (or some \$320 million). Given the strong growth of this new foundation type, it has generated a fair number of current analyses (Abaev, 2016; Bokareva, 2013; Nesterenko & Volkova, 2010; Podolskaya & Kharlamova, 2016; Revunov & Revunova, 2015; Sokolova, 2010, 2011a, 2011b; Subanova, 2011).

Fundraising foundations are established to raise charitable donations broadly from companies and individuals on behalf of specific beneficiary groups or special purposes (Alaricheva, 2017; Nefedova, 2015). Prominent fundraising foundations, such as RusFond, Gift of Life, and others, attract billions of rubles annually. As reported by Russian Aid Fund, 485 of the largest, most popular and responsible foundations in Russia collectively raised RUB10.4 billion, or ca. \$175 million, in 2014.

Finally, living trust funds, a new form of foundation for Russia, will appear in the near future. On July 22, 2017, the Russia Federation State Duma approved the law on living trusts in its third reading. The law that came into force in September 2018 enables any citizen to provide financial security to a child, grandchild, a charity, or other nonprofit organization by establishing a trust and placing assets in it during his or her lifetime. The assets are controlled by a chosen trustee and after the grantor's death, they are transferred to designated beneficiaries. This type of foundation, which until now was not present in Russia, is similar to the type of foundations that have long been in existence in West European countries.

While the Russian foundation sector is still fairly young and comparatively modest, there are some interesting initial comparative notes to be drawn to countries such as Germany and the United States. Notwithstanding the differences in size, there are notable differences in the composition of the foundation fields. Private foundations endowed by individuals predominate in both the United States and Germany and corporate philanthropic foundations (as opposed to corporation owning foundations as common in Germany) play a relatively small part, whereas in Russia so far both appear to be at least equal. Corporate philanthropy is clearly of considerably greater import than elsewhere. Community and fundraising foundations appear in relative rank similar to Germany, but more prominent than in the United States. In the United States context, community foundations are well-integrated into the foundation discussion, but other fundraising foundations, sometimes referred to as "public foundations," are often underestimated there (Toepler, 2016).

Finally, with the endowment foundation, Russia has created the functional equivalent of Germany's fiduciary foundations and the American-style supporting organizations, which if counted as part of the U.S. foundation field, would increase it greatly in terms of numbers and assets (Hammack & Smith, 2018; Toepler, 1999).

## **Institutional Proximities: Foundation Relationships With the State, Business, and Civil Society**

The first foundations in Russia effectively started to evolve during the interim between the political and economic upheaval of the 1990s and the federal government reasserting political control and seeking to strengthen the state by containing challenges to its

sociopolitical primacy. With greater political stability, the foundation field began to grow. However, as a still relatively young and evolving field, the repertoire of foundation purposes, approaches, and roles remains somewhat limited. As Slocum (2009, pp. 148-149) noted, foundation “legitimacy remains tenuous—conditioned by the overwhelming dominance of the Russian state in setting the bounds of the permissible for Russian foundation activity, and by widespread lingering societal expectations that the state ought to be the dominant player.”

This is partially borne out in population survey data by the Center for Studies of Civil Society and the Nonprofit Sector at the National Research University Higher School of Economics, which showed that one in five Russians (20% to 23%) believes that the state should determine priorities for charitable support and urge foundations and donors to address them. Twice as many (40% to 45%) respondents think that the state should inform (rather than direct) charitable foundations and donors about the priorities of the government. Only about one third of respondents felt that the state should in no way influence charitable foundations and donors in their choice of priorities at all.

These popular attitudes must be seen against the background of government social welfare spending and widespread dissatisfaction with public service delivery. The nominal value of social welfare support provided by the Russian consolidated federal budget increased by a factor of 18 over the period from 2000 through 2015 (although in real terms, the increase was only 3 times). Currently, government social welfare spending amounts to 57.1% of all budget expenditures, whereas it was only 27.4% in 2000 (Rudnik & Romanova, 2016). However, Russian citizens’ satisfaction with the situation in some social welfare spheres has been low for many years now. According to so far unpublished data from an All-Russia Population Survey (2015,  $N = 1,500$  respondents) conducted under the supervision of two of the present authors, the shares of Russians negatively evaluating the situation in education, health care, and social welfare are 33%, 50%, and 47%, respectively. Citizens are linking potential improvements in social welfare, among other things, to the strengthening of the NGO role as a dynamic actor in this sphere: according to the above survey data, 70% of adult Russians believe that NGOs and civic initiatives should contribute to addressing social issues in Russia along with government agencies. According to the data of the All-Russia Survey of NGO leaders in 2015, 87% of NGO leaders share this opinion (Mersianova & Benevolensky, 2016).

This then presents the backdrop for the institutional proximities of foundations to the other sectors. While little can be said with certainty at this stage about foundation relations to other sectors, Table 3 provides some proxy data on the share of foundation interactions with the other sectors, indicating that foundations interact most frequently with government at the local and regional level. Almost half of foundations also interact with business, but only 3 out of 10 with nonprofits.

As such, Russian foundations are marked by close proximity to the business sector. In addition to the at least 25 corporate foundations by Russian business corporations, many if not most of the private foundations are, as noted, also established by the entrepreneurs that control most of the large businesses. In Russia, owners share expectations for showing social responsibility along with their corporations (Slocum, 2009). Businesses and

**Table 3.** Foundation Interactions With External Agents.

Foundations interacting with . . .	Percentage
Local self-government authorities	81
Regional authorities	57
Federal authorities	28
Commercial entities	46
Nongovernmental organizations	35

Source. All-Russia NPO survey conducted in 2017 as part of the civil society monitoring by the Higher School of Economics with support by the HSE Program for Fundamental Studies. The data were collected by MarketUp Limited who polled NPO managers using a semistructured questionnaire developed by Irina V. Mersianova and Lev I. Jakobson.

particularly those that derived from the privatization of formerly state-owned enterprises are still expected by the state, local governments, and the public to continue the role that these enterprises performed in providing local social and other public services during the Soviet Union. The emerging phenomenon of corporate social responsibility in Russia is, therefore, also an extension of social role expectations the date back to the Soviet times (Fifka & Pobizhan, 2014).

Corporate foundations have been established and operate in Russia for over a decade now, as noted above. But only a relatively small portion of the overall corporate philanthropy is actually being routed through foundations. Fairly typical is the case of the Uzbek billionaire Alisher Usmanov, who was granted one of Russia's highest civil awards, the Order for Services to the Fatherland Fourth Class, for his extensive philanthropic activities by President Putin in 2013. According to press reports, Usmanov distributed \$150 million in charitable donations in 2012 "through his companies and charitable funds [*Art, Science and Sport Foundation*], as well as through personal gifts" ("Putin gives philanthropy award," 2013).

Many large companies operating in Russia that have been pursuing social activities for some time now are beginning to rethink strategies, goals and desired effects in an effort to professionalize their philanthropy. Currently, there are more than 150 companies that are known to engage in charitable activities on a systematic level.<sup>8</sup> At least half of them will regularly publish reports on their performance and outcomes and make them publicly available, share their experience and best practices. According to official data, just 55 of these companies allocated to corporate charitable activities a combined more than RUB15.5 billion (ca. \$260 million) per year.<sup>9</sup>

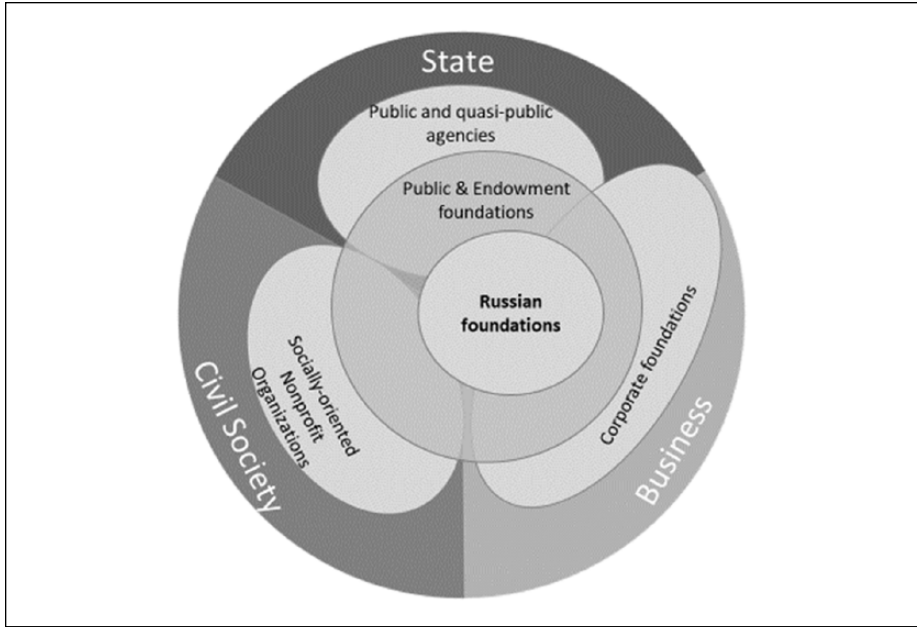
Proximity to the state is a different and somewhat more complex issue. On the one hand, the government maintains some degree of control over the largest business enterprises and can, therefore, manage expectations for contributions to social welfare. Local governments are known to approach businesses for contributions to infrastructure maintenance or public service provision, establishing an expectation for philanthropy to provide substitutional funding not just for amenities, but basic public goods as well. The emergence of foundations presents the government with one potential building block toward managing persisting public service delivery problems.

Philanthropic engagement particularly toward government priorities is, therefore, officially encouraged, as evidenced by the 2006 year of philanthropy or the civil honor awarded to Usmanov, but tensions do occasionally occur as well: after Open Russia's closure a decade ago, Dynasty Foundation decided to close voluntarily in 2015 after the Ministry of Justice decided to deem it a "foreign agent" under the 2012 law (Schiermeier, 2015).

In contrast to Western countries, such as Germany, the Russian government has not been very active in establishing its own foundations, however. While some do exist, these are very few. Foundations established by the state long ago (such as the Foundation for Peace and the Children's Fund, which are currently registered as public foundations) are still in operation, with some new ones being established. An example is the Russian Science Foundation established in 2013 to provide financial and organizational support to both fundamental research and experimental studies as well as support the training of academic cadre and research teams leading in certain areas of science. Another example is the Foundation for Support of Children in Hardship, which was established in 2008. Its sole founder was the then-Ministry of Health and Social Development of Russia (now the Ministry of Labor). As a nonprofit, the foundation engages in policy coordination on an interdepartmental basis, provides cofunding for social projects and institutions, and develops funding partnerships with business companies, such as Kia Motors RUS, Metalloinvest, Amway, and Uralsib, providing them access to funding opportunities anywhere in the country as well as communication support.

With its historical development that differed markedly from continental Europe, the Russian foundation field is not very closely entangled with the church. Charitable activities of the Orthodox Church are still evolving in Russia but already demonstrate high performance both in terms of social services provided by the Church directly<sup>10</sup> or independent nongovernmental organizations with a religious focus.<sup>11</sup> The social service provision of the Orthodox Church involves a network of some 4,000 establishments. While the Church itself is not among founders of any charitable foundation, they can be set up by legal entities established by it. For example, the Foundation for the Support of Temple Construction in Moscow was established in 2010 by the Finance and Economic Department of the Russian Orthodox Church with the Patriarch of Moscow and All-Russia Cyril's blessing. Religion furthermore provides a breeding ground for a large number of NPOs including foundations with a charitable focus. Examples include the Predanje, regional charitable public foundation for support of spiritual development of society; Pravoslavie i Mir, Righteous Martyr Great Princess Elizabeth charitable foundation for assistance to socially vulnerable individuals, and others.

Finally, Russian foundations are somewhat disconnected from civil society at large, as "foundations, lacking confidence in the effectiveness and transparency of civil society organizations, tend to operate their own programs rather than support such organizations with grants" (Chertok, 2014). Foundations may in fact use less than 20% of their annual budgets for grant making and prefer to operate their own programmatic activities (Chertok, 2014). Moreover, while it is not known how foundation support is distributed across policy fields, education, higher education, and culture are among the



**Figure 1.** Institutional proximities of larger Russian foundations.

main areas of foundation interest—all of which are fields dominated by state institutions. This further reduces funding opportunities for independent NGOs. Likewise, the booming subsector of endowment foundations also heavily benefits public institutions, including schools, universities, and cultural institutions like museums, who generate external support through these funds. With more favorable policies toward so-called socially oriented nonprofit organizations emerging since 2011 (Benevolenski & Toepler, 2017; Salamon, Benevolenski, & Jakobson, 2015; Bindman, 2015), these organizations provide a new medium through which foundations can potentially discharge their intermediary functions if the disconnect can be resolved. For the moment though, major Russian foundations map more closely to the business sector and to the state—with public and endowment foundations primarily benefiting public institutions and the state/business interconnectedness—rather than civil society, as illustrated in Figure 1.

### **The Foundation Triangle: Purposes, Approaches, and Roles**

According to Anheier (2018), foundations can pursue three types of purposes: structural change through empowerment and policy advocacy; the protection of groups, traditions or arts and culture; and relief to alleviate suffering and address pressing individual or social needs. Foundations pursue these general purposes through grant

making, operation of programs, or a combination thereof; and assume different social roles in doing so, including innovation, complementarity, substitution, or build out.

In terms of purposes, Russian foundations decidedly favor relief and protection. Through supporting social welfare activities and student fellowships individual needs are addressed, and the support of science addresses societal needs. Social welfare is a high impact area for Russian foundations. According to HSE Center for the Study of Civil Society and the Nonprofit Sector survey data, 79% of foundations are engaged in social services and most of these are provided free of charge. Some 65% of foundations provide all their services for free. The demand is highest for social services to be provided to children, the elderly and the disabled (34%), rehabilitation and societal adaptation of the disabled (30%), services to arrange vacations for children (23%), services to promote foster family arrangements (22%), labor employment and adaptation (20%), services to promote fitness and sports (20%).

Protection is reflected in support for the Orthodox Church, including the building or rebuilding of churches, and in the emphasis on supporting arts and cultural institutions (Milam, 2013). In this, Russian philanthropists are not averse to supporting patriotic purposes. But beyond this, Russian foundations and their donors are primarily “focused on apolitical programs such as support for social welfare, education, health, and youth and avoided funding many independent civil society organizations with a social or advocacy agenda” (Spero, 2014, p. 7; see also Slocum, 2009). Change is, therefore, not a major purpose pursued by Russian foundations. Rather, they position themselves by working through other institutions, predominantly state institutions of education, culture, and social welfare, to the extent that they are not operating their own programmatic activities. This then also circumscribes the roles that Russian foundations choose to adopt: near universally these are the complementarity and substitution roles (Slocum, 2009), with foundations augmenting higher education, high culture, and social welfare in particular.

The importance of the complementarity and substitution roles of Russian foundations is furthermore growing, as the state reduces its involvement in the social sphere. Russian laws regulating the provision of social services are increasingly influenced by the country leadership’s interest in strengthening NGO potential to improve the quality of the social welfare. In compliance with the President’s instructions, Russian federal and regional authorities have been working to facilitate NGO involvement in addressing social policy issues. Charity funds are heavily involved in these processes. As but one example, the Enjoyable Age Charity Foundation received a state subsidy of RUB100 million in 2018. It seeks to establish an enabling environment for elderly people to enjoy a long and active life. The foundation intends to reduce age stigmatization and alleviate the fear of ageing. There have been no programs of this kind in Russia before. So it is not easy to discern whether foundations in situations like this complement, or substitute for, the state. To an extent, this could also be interpreted as part of a build-out role.

The Vera Hospice Charity Fund is another prominent example of the build-out role as it has built its palliative care system from scratch in Russia. The fund was the first to introduce the concept of palliative care in Russia and make sure that the government

shares the society's concerns about the well-being of the fatally ill people. Currently, the foundation performs the complementarity function bridging the gap in public services. To some extent, in support for science funding or the rebuilding or restoration of churches, foundations also take on the build out role. As noted above, the generally preferred approach of Russian foundations is to run their own programs, with grant making per se only playing a minor role (Chertok, 2014).

Nevertheless, innovation plays a role as well in the self-understanding of Russian foundations, as indicated in a spring 2017 survey of 242 foundation directors from 30 regions of Russia by the Center for Studies of Civil Society and the Nonprofit Sector, National Research University Higher School of Economics, within the framework of the civil society monitoring. The survey sample included directors of public foundations ( $n = 58$ , 24% of the total sample) and nonprofit foundations ( $n = 184$ , 76% of the total sample). The foundation directors were asked to describe the projects of their organizations based on the suggested parameters. 85% indicated that their projects seek to alleviate social problems, and more than a half of the respondents (51%) agree that the solutions suggested by their foundations are innovative and have never been suggested before. Almost the same number of respondents (48%) confirm that their innovative solutions have been disseminated and applied by other public and nongovernmental institutions. An example is the "Connection" Charity Fund in Support of the Blind and Deaf in Fryazino, Moscow Area, which has launched the production of cochlear implants in Russia.

Beyond roles, a very high level of concentration of foundation resources is one similarity between Russia and both the United States and Germany as well as many other countries. Of the 11,000 organizations registered as foundations, virtually nothing is known, but they can safely be assumed to be mostly what Anheier (2018) termed *niche providers*, small-sale, volunteer dependent operating foundations specializing in specific services, but may also include so-called *engagement foundations*, raising funds for specific issues on a small, volunteer basis. None of these will hold any financial assets, as this is restricted to the endowment foundations, which in turn are hard to classify within the typology: to the extent that they generate investment income for specific public institutions, they are neither operating providers of social or other public services nor strictly speaking grant makers.

Even among the few dozen larger foundations, various types can be differentiated. Table 4 provides an illustrative, but not representative classification some of the more well-known Russian foundations by type. A fuller breakdown of these larger foundations by approach would actually suggest that most of them fall into the operating and mixed foundations category. Since foundations are typically not endowed, size must be determined by annual budget rather than assets, but there is no good metric to what makes a large foundation in the Russian context. The five largest foundations in Russia are the Potanin's Fund, Mikhail Prokhorov's Fund, Yelena and Gennadiy Timchenko's Fund, the Art, Science, and Sport Charity Foundation, and the Lukoil Charitable Fund. All of these are private but for the last one which is corporate. However, alongside such foundations, there are funds of a smaller size, although rich with intangible assets (primarily, their reputation), such as Life Line Charity Foundation, the Vera Hospice



**Table 4.** Major Russian Foundations, Classified by Type.

Approach	Smaller foundations	Larger foundations
Operating and mixed foundations	<i>Niche providers:</i> Charity Foundation "Downside Up" The Vera Hospice Charity Fund Charity Fund in Support of Senior Citizens and the Disabled "Enjoyable Age Charity Foundation" The Katren Foundation Charity Fund "Volunteers in Support of Orphans" The Road Together Fund Charitable Children's Fund Victoria Children's Palliative Support Fund	<i>Services providers:</i> Youth Olympic Reserve Sport Schools Anzhela Vavilova's Children's Support Fund The Line of Life Fund in Support of Gravely Ill Children
Grant-making foundations	<i>Engagement foundations:</i> The Togliatti Foundation Dobry Gorod Petersburg Grigoriy Shelekhov's Charity Fund (Irkutsk Oblast)	<i>Professional philanthropists:</i> The Russian Olympians Foundation Potanin's Fund Mikhail Prokhorov's Fund Yelena and Gennadiy Timchenko's Fund Charitable Foundation "Art, Science and Sports" Charitable Fund "Sistema" Peri Foundation Charitable Fund of the Central Federal District Volnoye Delo (Oleg Deripaska's Fund) Sorabotnichestvo Foundation Vladimir Spivakov International Charity Foundation RENOVA Foundation

Charity Fund, the Enjoyable Age Charity Foundation, and others. For the most part, these are fundraising foundations that foster the culture of charitable giving among Russian citizens. By way of comparison, the Potanin's Fund expenditures in 2016 amounted to RUB579 million,<sup>12</sup> while the Line of Life Foundation managed to raise RUB373 million in the same year.<sup>13</sup>

With this proviso, the professional philanthropists category in Russia includes a variety of foundations established by corporations and private persons. Among these are the Russian Olympians Foundation that provides grants to athletes, coaches, experts, and Olympic champions in retirement as well as specialized Youth Olympic Reserve Sport Schools. The fund is supported by financial donations from individuals and corporations. Its Board of Trustees includes high-level government officials and prominent businessmen. Another example is Potanin's Fund, a private foundation established in 1999 by Russian businessman Vladimir Potanin to implement long-term

social projects in the sphere of culture and education. Potanin's flagship program provides scholarships for state university students (Slocum, 2009). To date, it has provided more than 26,000 scholarships and supported over 200 museum projects all over Russia.<sup>14</sup> Foundations of this type often function as institution and bridge builders.

The relatively smaller foundations are rarely found among grant-making institutions in Russia, with the exception of community foundations that could be included in this category, although not all of them are solely grant makers, but often use a mixed approach. Nevertheless, despite the small budgets, almost all small community foundations use the grant competition technology (90%) to support charitable projects and residents' initiatives. Small community foundations usually hold one or two grant competitions per year.<sup>15</sup> Grant competitions range from scholarships to programs in support of citizens' initiatives. For example, in Shelekhov (Irkutskaya Oblast), a community foundation regularly holds a scholarship competition to support talented students. Under the program, legal entities and individuals set up personal scholarships for talented youth. A monthly scholarship amount depends on the founder's resources and it is up to the founder to choose the educational institution where the scholarship is to be awarded. Internal competitions are held within the selected institutions to award the scholarships. It should be noted though that community foundations are engaged in a variety of activities such as grant competitions (90%), volunteer activities (90%) community-support activities (81%), creative activities (62%), sports events (43%), conferences (71%), education and training (52%), youth banks (38%).<sup>16</sup> The advantages of this group are marked by their focus on bridge building.

Concerning the operating and mixed approach, it should be noted that smaller foundations are mostly niche providers addressing the gaps where the state is not effective. For example, the mission of the charitable fund "Downside Up," which celebrated its 20th anniversary in 2017, is to improve the living standards of persons with Down syndrome in Russia. The Vera Hospice Charity Fund is the only NGO in Russia providing support to hospices and their patients. The "Enjoyable Age" Charity Foundation has sprung from a volunteer movement of the same name with a mission of improving lives of senior citizens and reducing the emotional vacuum they are facing in residential institutions. Presently, the foundation seeks to provide overall support to elderly people no matter where they reside. The Charitable Fund "Volunteers in Support of Orphans" has a variety of programs in the areas of prevention of children's abandonment, support of children in institutional residencies, facilitation of foster family programs, improvement of the relevant legislation, and of the entire system of children's residential institutions as well as an impact on public opinion. If this group had to be identified as a whole, we could describe its advantage as a focus on social entrepreneurship, based on their missions.

Among larger entities taking the operating or mixed approach, only a few foundations can be referred to as services providers, since funds with more sizeable assets are not often willing to operate as service providers. For example, the charity foundation "Memory of Generations" has a mission of supporting veterans of the warfare waged by the former Union of Soviet Socialist Republics and later by the Russian Federation. The Connection Fund in support of the deaf and blind strives to attain systematic

changes in the support of its clients. The programs of the fund include areas such as Information and Enlightening, Science and Education, Technologies and Possibilities 2.0, Social Integration. Family and Community, and Regional Development. This group of foundations is highly versatile, but hard to characterize in terms of the advantages they bring to the table. It is also important to point out that the general lack of endowments prevents Russian foundations from fully reaping the benefits of the dual autonomy enjoyed by many American, German, and other Western foundations, rather leaving them in a dual dependency on state and donors.

## **Regime Types**

How does the foundation experience fit into broader sociopolitical institutional patterns or regime types, as reviewed by Anheier (2018)? The Varieties of Capitalism approach is arguably not suitable and potentially even misleading in the case of Russia, which may appear to be a liberal market economy on the surface, but features an extensive role of the state beyond what is common in any market economy (Hanson & Teague, 2007). Economically, Russia mirrors neither Germany nor the United States, both on the opposite ends of the varieties continuum. In terms of Esping-Anderson's welfare regime typologies, Russian social policy development has been somewhat inconsistent. Official policy positions and some legislation have often combined traits of the social democratic and liberal regimes, whereas the actual implementation has moved to the gradual development of a conservative regime (Jakobson, 2006). In this, Russia is closer to Germany than the United States. The present welfare mix, however, is far from being settled. In either case though, the development of a balanced and sustainable welfare mix in Russia is not feasible without accelerated development of the third sector (Jakobson et al., 2012). However, government policy with regard to the sector and private philanthropy is quite controversial. While important steps have been taken recently to support the so-called socially oriented NPOs, NPOs receiving foreign funding continue to face strict measures (Benevolenski & Toepler, 2017; Salamon et al., 2015). This opens a need and an opportunity for Russian foundations to step into a funding gap that the withdrawal of international support has caused. Their proximity to state and business, the tendency to supplement and compliment, and the preference for own programming instead of external grant making, suggest again that Russian foundations are more comfortable operating in a conservative regime similar to Germany rather than a U.S. style liberal one.

With regard to the Anheier/Daly models, the current Russian experience does not suggest that foundations operate in parallel to government, as in the American liberal model. In contrast to foreign-funded NGOs, foundations are also not generally subject to restrictive laws, administrative procedures, and extensive oversight—ruling out the state-controlled model as well. The corporatist model, with foundations supporting the system in social welfare, education, and culture would seem like a more appropriate depiction of Russian reality, but not a complete one. Russian foundations also show strong traits of the business model in which foundations help discharge the expected social obligations of corporations as well as wealthy entrepreneurs. They are less so

instruments for small to medium-sized enterprises though, and Russia's mix of the corporatist and business models thus differs from Germany's.

In terms of social origins, Mersianova, Kononykhina, Sokolowski, and Salamon (2017) argue that Russia follows the statist model and point to the specific features of this model that can be observed in Russia: a relatively small size of the nonprofit sector and fairly low public sector support. The social origins theory links the statist model to the emergence of a strong developmental state pursuing rapid economic growth (Salamon and Anheier, 1996), but how different types of Russian foundations and the state interact in this respect can provide more insight into the role of foundations and their potential in Russia.

## Conclusion

In this context, the growing participation of an increasing number of fundraising foundations in addressing social issues in Russia in particular responds to a clearly expressed public demand to enhance the role of NGOs in this sphere. In this, there is a clear development path for all types of foundations, but how well they will be able to pursue this path, overcome the disconnect with civil society, and develop into funding intermediaries for Russia's still weak social nonprofits at the grassroots remains to be seen. At the moment, the existing strengths and weaknesses of foundations have simply not been sufficiently studied; nor it is clear yet, whether Russian foundations enjoy the dual independence that their Western counterparts appear to do. Encouragements to pursue national priorities and existing state pressure, particularly locally, on funding priorities, may speak to a more managed independence. What remains clear though is that substituting for the state by aiming to fill funding gaps will continue to be a significant role for Russian foundations to protect their still fragile legitimacy between public skepticism and governmental expectations.

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## Notes

1. A convincing evidence is provided, in particular, by the books in which the history of the reform is expounded by their most active and influential actors (Aven & Kokh, 2013; Yasin, 2012).
2. Remarkably, the last Russian Tsar described himself as the "owner of the Russian land" as late as the early 20th century in responding to a questionnaire.
3. Available online in English (<http://www.legislationline.org/documents/action/popup/id/4373>).

4. These are foundations established by the state and by federal ministries for industrial and economic development policy purposes. For example, in 2011, at the initiative of the Russian Federation President and the Premier, the Russian Foundation for Direct Investment was created. It is a sovereign investment foundation of the Russian Federation with a reserve capital of \$10 billion. This foundation, together with leading international investors, makes direct investments in the leading Russian companies (<https://rdif.ru/About/>). In 2014, the Foundation for Industry Development was created with a view to modernizing Russia's industry, establishing new production facilities, and ensuring import substitution. The Foundation was created at the initiative of the RF Industry and Trade Ministry as a result of the transformation of the Russian Foundation for Technological Development (<http://idfrf.org/>). The Foundation offers preferential terms for the cofunding of the projects aiming at the development of innovative high-tech products, technical modernization, and the establishment of highly competitive industries based on the cutting-edge technologies. To implement its innovative industry development projects, the Foundation provides target loans in the amount of RUB50 million to RUB500 million at an annual rate of 5% for a period of up to 7 years, thereby facilitating the inflow of direct investment in the real sector of the economy.
5. The data of the All-Russia Population Survey carried out in 2017 within the framework of the NRU HSE Civil Society Monitoring. The sample included 200 respondents (aged 18+ years).
6. As reported by the Donor Forum based on the analysis of reports made publicly available by foundations and mass media publications.
7. As reported by the Endowment Capital Program of the Donor Forum. The data results from the analysis of annual reports of endowment foundations and mass media publications.
8. As reported by the Donor Forum based on the analysis of reports made publicly available by companies and mass media publications.
9. As reported by the Donor Forum based on the analysis of information provided to the Leader of Corporate Charity competition in 2015.
10. See [http://echo.msk.ru/blog/v\\_rulinskiy/1946012-echo/](http://echo.msk.ru/blog/v_rulinskiy/1946012-echo/); and <http://www.diaconia.ru/pomogite-sobrat-korzinu-pervoj-pomoshhi-dlya-postradavshikh-v-chs>
11. See <http://predanie.ru/>; <http://fond.pravmir.ru/>
12. See <http://www.fondpotanin.ru/media/2017/05/24/1269025795/%D0%A4%D0%BE%D0%BD%D0%B4%20%D0%9F%D0%BE%D1%82%D0%B0%D0%BD%D0%B8%D0%BD%D0%B0-%D0%B3%D0%BE%D0%B4%D0%BE%D0%B2%D0%BE%D0%B9%20%D0%BE%D1%82%D1%87%D0%B5%D1%822016.pdf>
13. See <http://www.life-line.ru/upload/iblock/641/6415a582085eb000635936b06f0ac6e8.pdf>
14. See <http://english.fondpotanin.ru/>
15. See [http://www.cafrossia.ru/page/kogda\\_razmer\\_imeet\\_znachenie](http://www.cafrossia.ru/page/kogda_razmer_imeet_znachenie)
16. See [http://www.cafrossia.ru/page/kogda\\_razmer\\_imeet\\_znachenie](http://www.cafrossia.ru/page/kogda_razmer_imeet_znachenie)

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