

## Philanthropy in Russia: A Local Perspective

Host: Ted Hart

Guest: Maria Chertok – CAF Russia

**Announcer:** Welcome to the *CAF America Radio Network*, a production of the Charity's Aid Foundation of America. As the leader in global giving, CAF America offers more than 20 years of experience and expertise to corporations, foundations, and individuals who wish to give internationally and with enhanced due diligence in the United States. Through its industry-leading grants management programs and philanthropic advisory services, CAF America helps donors amplify their impact. This show is dedicated to these donors and the charity they support.

CAF America is uniquely positioned to serve as the bridge between these important partners and transforms vision into meaningful action. Guests on the *CAF America Radio Network* are leaders and their fields who share tips for success and stories that inspire. Our host is Ted Hart, the CEO of the Charities Aid Foundation of America. This is a live call-in show, add your voice by calling 914-338-0855. After the show, you can find all of our podcasts at [cafamerica.org](http://cafamerica.org). Don't forget to dial 914-338-0855. Now, welcome the host of the *CAF America Radio Network*, Ted Hart.

**Ted Hart:** Welcome to this latest edition of the *CAF America Radio Network*. We're very pleased to have you with us today for a very important show. My colleague, as a member of the CAF Global Alliance, the director of CAF Russia, Maria Chertok is going to be with us here today. Before Maria joins us, I do want to just make note of the fact that the CAF America Radio Network has received an honorable mention as part of the National PR Awards. We are now an award-winning radio program and I want to thank all of our listeners and everyone who has made the *CAF America Radio Network* such a success.

My guest today here on the *CAF America Radio Network* is Maria Chertok. She joined CAF Russia in 1997 and since May of 2005, she has served as the director of that organization. She's been involved in a number of exciting innovations in the Russian philanthropic sector, including the development of community foundations model, corporate giving, and private foundations. Now, the Russian Reporter magazine has named Maria as one of the 10 most influential philanthropy professionals in Russia. She is a board member of WINGS, which is the World Initiatives for Grantmaker Support. She's a member of the advisory board of community foundations partnership, a member of the editorial board of the Alliance magazine and is co-organizer of the Olga Alexeeva Memorial Prize.

Now, Maria has authored a number of articles and research studies on various aspects of philanthropy and civil society development in Russia and globally. To say that she's been on the forefront and has truly been a leader in Russia is an understatement. Maria, thank you so much for being on the *CAF America Radio Network* with us today.

**Maria Chertok:** Thanks for the invitation, Ted. Hello.

**Ted:** Hello. The Russian charitable sector is relatively young, it's been around for slightly more than 20 years, how is the Russian philanthropic scene developing and how is it similar or different compared to what our listeners might be more familiar with?

**Maria:** Indeed, the first signs of philanthropy dated about 20 years ago. The first private foundations emerged about 16 years ago and I think the coastal- really, the bone of the philanthropic sector are NGOs that are probably 20 plus years old, so is CAF Russia, which have been present in Russia since 1993.

We have all of this different elements of the philanthropic sector developed, but including private philanthropy, corporate philanthropy, community foundations, but I think in comparison to what you're familiar with in the US, it's still much smaller and much younger and there is less much money available both for philanthropic causes and also coming from the population to the NGOs, but we are way quite optimistic because over 20 years it has been a tremendous growth.

**Ted:** So, it is beginning to show signs of becoming part of the fabric of Russian communities to see philanthropy as something that can help strengthen communities?

**Maria:** Yes. Over these 20 years, we achieved, we came to the stage when philanthropic giving has become a social norm, nobody now questions why people do it, that this is something odd and they have some odd motivations. It's clear that philanthropy benefits society. It helps communities to develop. Yes, I think we achieved that, but now, we need to concentrate on making this philanthropy more effective, more professional, making people who give to charity more strategic about what they support, not just being emotional ad hoc donors but also people who care about causes and care about them continuously, be loyal to the organizations they support.

**Ted:** As you know, the American society is very philanthropic and has a couple centuries of lead time on building a philanthropic society here. On our end, here at CAF America, we've been witnessing a strong interest shown by American donors, often of Russian descent, to support various causes in Russia. While the donation process remains challenging, it is possible and certainly, the relationship and strength of the work between CAF America and CAF Russia helps make that ever more possible for donors.

In terms of this process, what do you American donors need to know about giving to charities in Russia? Could you maybe give some examples of projects supported by donations originating from the United States from CAF America?

**Maria:** First of all, American donors should know that there is a variety of NGOs working across the country engaged in supporting different causes so you can choose and you can find what you want to support. There's the choice. There is the many available to choose from. The second thing that Americans donors should be aware of, the professional level of organization differ a lot. Some small regional organizations may have not that capacity that big, Russian-

wide, Moscow-based organization would have, but there is a beauty in supporting small and local organizations because there is a lot you can achieve with them.

Indeed, the connection between CAF America and CAF Russian helps American donors to avoid different legal complications and unnecessary tax, which may be paid on donations coming directly from abroad, particularly, grants because grants are taxable and donations are not. We facilitated a few millions of donations over this few years coming from the US to Russia by CAF America and CAF Russia.

For example, we are working together with you, Ted. We're working with the private foundation that supports an NGO working in the Urals in the middle of Russia, in the border between Asia and Europe and this NGO works with underprivileged youth, engaging them in different kinds of arts and sports and that's providing them with an opportunity to grow, to socialize, to develop their social skills and giving them an alternative to the path which they would be choosing otherwise. There are many other organizations and projects supported, from projects in healthcare to science and education and I hope this flow of donations will grow in the future months and years.

**Ted:** We certainly want to see that grow as well and as CAF America continues to grow very rapidly, the interest in Russia and in Russian charities continues to grow. You, like the United States, although much larger the United States, is a very large country with a lot of different interests and a lot of different communities across our country, Russia is even larger. How do you manage to help support projects from border to border?

**Maria:** Indeed, CAF Russia works across the country, although we are physically present in Moscow, but as I said, we've been working Russia for over 20 years now. We've had multiple partners, former grantees in different parts of the country, including the most remote places where we grow very low density of population like in the Far East and some parts in Siberia. We have this capacity to reach out to organizations, which would probably have never been able to get a foreign grant or even a donation coming from Moscow, from outside their own communities.

We have a methodology to look at their documents, to look at their capacity, to see to the fact that they spend the money according to the purposes which the donor stated and particularly, when we work with small organizations and remote areas, we also try to support them and we fund them, giving them advice on how best to approach their project, how to develop their staff, how to communicate with their community. This is part of our approach and we're really very proud that we helped to strengthen the sector alongside passing the money on to their organizations.

**Ted:** We're very proud of your work and very proud of the opportunity for both CAF Russia and CAF America to work together to help build that philanthropic sector. You noted in an article that you wrote, the Foundation Sector in Russia Burgeons, But Challenges Remain, charitable giving and philanthropy was pioneered, as we mentioned earlier, back in the 1990s through corporate giving. Since there is a notable rise in corporate philanthropy within Russia, especially

in terms of employee giving programs, how are these programs structured and what kind of companies are offering their employees the opportunity to give?

**Maria:** Indeed, corporate philanthropy occupies a very sizable portion of institutional giving in Russia and it was the first to develop prior to private philanthropy and it's growing steadily and really reached a very high level of understanding and structuring, particularly, in big companies. Yes, indeed, companies do offer their employees an opportunity to be engaged in giving.

It can be through donations programs, through payroll donations, but mostly, through volunteering and this employee volunteering programs are all over the country. They can be simple, ad hoc, like volunteer days when employees are suggested to plant trees or clean the rivers or paint the walls, but also, through more sophisticated pro bono services, which companies offer to NGOs. We also sometimes help companies to structure this programs.

As far as payroll giving is concerned, it is also widespread mostly in Moscow, in big companies with some international dimension of their work and particularly, in financial services and banks, but also, in professional services such as audit companies and so on. It does not necessarily go through online facilities. It could be very simply structured cash donations programs or could be one of campaigns to support particular causes on particular months or day, but I think it will develop more in the future. I hope so.

**Ted:** In developing that community, certainly, you've been instrumental in helping the rise of Russian charities across the country and as you said, CAF Russia works hard to help support them and to help them learn best practices. We've learned in the support that we provide to charities that Russian charities are fairly similar to the American concept of not for profit organizations, but could you explain for our listeners some of the differences and how they might be structured and how they might operate?

**Maria:** There are more similarities than differences between Russian and American charities because while American legislation somehow considered, well, an icon of charitable legislation. I think without conscious, our legislators mirror the main principles of the American legislation, although they would probably never admit that. There are a number of different legal forms of NGOs, but it doesn't really matter that much because all of them can receive donations and they all have to spend the donations on the purpose the donor stated.

Russian NGOs are also allowed to engage in for-profit activities, but the profits should go strictly for the purposes and mission of the organization. The profit cannot be distributed among the founders or employees. I think the difference, which is a striking difference, is in governance because the culture of governance and particularly, establishing independent board is very nascent in Russia and many NGOs would probably have a board on paper because this is what the legislation requires, but in reality, they would be governed by the director, the founder, the staff, and the board would be practically non-existent.

This is potentially a big threat to the sustainability of NGOs and also, it puts donors sometimes in vulnerable position because they wouldn't know that there is a proper oversight. On the

other hand, you can be sure that the Russian government watches NGOs very closely. They report to the Ministry of Justice, but also, they're being audited by the tax authorities, by other authorities, including the prosecutor's office and these checks are regular and getting even more regular. In principle, nothing can be abused because the punishment will be quite severe for that.

**Ted:** That's, of course, where the due diligence that CAF America does in concert with CAF Russia is so important because there is a variety of different models and of course, CAF America only funds those charities that do have the internal oversight for the funds and are not singly held. That's important to do that kind of due diligence because as you're pointing out, there isn't just one model because it's an emerging philanthropic community. There are a variety of different models at work right now.

**Maria:** Yes, indeed. It's not just the charities' fault, but also, the fact that people don't know how to serve on boards and it's very difficult to manage this boards because they're all over the place and there is no culture of governance and not micromanagement. I think it's just a matter of evolution.

**Ted:** Yes, and that takes time. As we pointed out earlier, we have a long culture of that here in the United States, but that's been developing over centuries and it takes time for societies to be able to learn from generation to generation how to properly manage social enterprises, like a not for profit organization. The philanthropic sector tackles a variety of social issues. This is common around the entire world. What are some of the most important social issues that Russians care about and do these differ across the expanse of the country from, again, border to border?

**Maria:** It's an interesting question, Ted, because there is a big difference between what the issues are and what philanthropy supports. I don't think our issues are very different from other places. They include access to basic services, culture, regional development, health care. We have issues with national minorities and refugees, but it's slightly different on the donors' agenda. This is strong preference towards supporting children and all the research shows that and elderly, but for example, there is very little support to more edgy issues like human rights or gender or migrants or support to people with HIV/AIDS, nobody funds research and so on and so forth.

In this relation, I think our philanthropic sector is pretty conservative, I would say, and traditional. We would love to see the donors' imagination widened in terms of the causes they can consider and they would like to support.

**Ted:** I imagine that would grow over time again as the charitable sector continues to grow. The progress of that growth seems to be pretty steady and again you have a very large country. What are some of the main challenges that you think the sector needs to overcome to have that growth continuing and to have it be sustainable?

**Maria:** I think the main challenge remains, building trust. Russian society lacks trust in all respects. Russians don't trust institutions, they don't trust neighbors, they don't trust police and they don't trust NGOs in the same way. We've been grappling with this for 20 years. I think we made a lot of progress, but still, there is a long way to go in relation to building trust and understanding in the society of what a charitable sector is about and what kind of social value it brings to the society and to the communities where NGOs operates.

Another current challenge is the economic environment. There is clearly a crisis and everybody admits that. There is less money available, people are sliding into poverty very quickly and there is a bigger demand for social services and then, the same time, NGOs are short of money because supply is drying down. I think this would be one of the main challenges for the next few years, probably, depending on how long we stay in this economic crisis.

There is another aspect, which is connected to the legislation on foreign agents and the fact that now NGOs are much more scrutinized if they get foreign funding and actually it's a barrier for NGOs and also, given how much this issue is profiled in the media, it doesn't help to build trust, something we started with. It's probably not the easiest time, at the moment, we're living through.

**Ted:** Just as there is a greater demand for these services, the pressure on charities to be able to grow and to attract financial support is more difficult for them as well. It becomes a challenge for both sides of the ledger.

**Maria:** Yes, exactly.

**Ted:** Giving internationally is something that you and I work on quite a bit. As organizations of the CAF Global Alliance, we have seen the increasing globalization of the world and it remains very complicated to give to entities around the world. However, working together as we do and being part of the CAF Alliance, makes this complex process much simpler due to the offices that we have around the world and the trained experts that know the legal systems of the respective countries.

Certainly, the legal aspect of the work that you do is something that takes up, I know, a fair amount of your time because it is a heavily regulated part of the Russian economy. Could you talk about how the existence of CAF Russia can help American philanthropist support projects that they might be interested in Russia with their donations?

**Maria:** I think the most important message here is, "We can help you to find organizations, which would fit the profile you want to support because we know the sector. We will do the due diligence that would fit their Russian legislation, but also, fit the high standard of CAF Global Alliance in terms of fighting anti-money laundering and terrorist financing. We will support the grantee of yours, not just with the money, which you trust us with, but also with advice and with the best and most friendly grant-making service, which we can provide."

We wouldn't burden them with unnecessary papers. We would bill them in Russian, in rubles so they wouldn't be- their business wouldn't be complicated by translation and the need to supply

documents they never saw in their life. That's what we can offer and of course, we can give you a guarantee that their organization is going to spend the money on the purpose you stated because we will monitor the performance of the grantee. We will request them to report on the funding, which they received because this is our standard process. By Russian legislation, we are liable for the use of the money, which we give out.

**Ted:** I want all of our listeners to know just how important all of those aspects of our partnership with CAF Russia is to the grant-making process. It is complicated, it's a very large country and it is an emerging philanthropic sector within Russia. All charities are not the same, all charities are not governed and managed the same so making sure that the funds are used for the purpose in which those given is extremely important to all donors.

All of the donors from CAF America who wish to support Russia, we encourage you to do so and know that the infrastructure that we've developed with CAF Russia is impeccable and certainly, makes us very proud of being one of the premier opportunities for Americans who want to support philanthropic efforts in Russia to be able to make that happen through CAF America.

Maria, we only have a couple of minutes, I just want to wrap up today. There is a significant Russian population residing in the United States with strong ties back to their home country, do you see big opportunities for diaspora giving and those who may want to work back in their homeland?

**Maria:** We definitely see some signs of that, being interested in giving back to Russia, particularly, in the area of supporting science and education. This is what we helped with for the last few years. I hope that there would be other people and institutions interested in supporting Russia, although it looks like Russia's again become a darker place, it's not. There is a lot going on. There is a lot of innovation in the social sector, which you can actually help to develop. Now, with the ruble falling so much, you can do a lot more with your dollars. We would be very happy to assist Russian diaspora or non-Russians to help Russian charities develop and do their good work.

**Ted:** Maria, you've been very helpful today in providing very important information about giving to Russia. We wish you well and look forward to our continued very strong relationship between CAF Russia and CAF America. Thank you, Maria Chertok, for being our guest here on the *CAF America Radio Network*.

**Maria:** Thank you very much.

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