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Charity development trends in a coronavirus pandemic

Abstract

The first charitable organizations began to appear in Russia in the mid-1990s. From that moment, the formation and development of a full-fledged system of charitable and non-profit organizations began, the backbone of which was formed and strengthened during the period of sustainable economic growth and the well-being of the population in the 2000s. Over the past decades, charity in Russia has made an impressive leap forward both in scale and quality. Today, there are various types and forms of charitable and non-profit organizations in the country. Their total number is estimated at hundreds of thousands. The pandemic of the new coronavirus has greatly changed the course of history, affecting economic relations and the philanthropic sector. This paper examines the trends and directions of development of philanthropy in recent years, mainly after the introduction of pandemic restrictions. The article mainly examines the qualitative and quantitative changes in the structure of charitable donations, the shift in priorities, the proportion of sponsors' preferences and the place of spending on the treatment and rehabilitation of children with special needs. What place according to preferences is given to this direction among individuals, small and medium-sized businesses and private foundations – this issue is revealed in the article. It was also possible to identify the impact of the introduction of information technology on the charity market. As a result of the research, the factors influencing the overall development of the philanthropy sector have been identified, this is due to the novelty of the research. The author of this paper identified and analyzed the drivers and obstacles, which in turn help or hinder the development of charitable foundations during a pandemic.

Keywords

Coronavirus environment, pandemic, philanthropy, charity, trends, non-profit organization, financing, fundraising

JEL: M14, M20, M48**DOI:** <https://doi.org/10.30525/2500-946X/2021-3-10>**1 Introduction**

The worldwide pandemic of the new coronavirus infection has caused restrictions in all sectors of the economy and social life.

Purpose of the study: to highlight the key factors affecting the charity sector.

Research tasks: to analyze the literature on the research topic; highlight differences in the understanding of the factors.

Research object: pandemic restrictions as an important component of external and internal environment of charity sector.

Subject of research: trends arising under the influence of factors of the pandemic internal and external environment.

Research methods: analytical, discourse, didactic and social science, interview with professional society (founders and managers of charitable foundations). The relevance of the study is due to the fact that in the context of the increasingly complex business environment today, charitable

foundations and organizations need a simple and flexible tool for managing marketing, maintaining the volume of funding and building effective business models in a timely manner.

2 Latest scientific progress and publications review

It is important to note that the coronavirus pandemic affected all countries of the world, the population and governments were in a situation where every measure was a trial, a prepared scenario simply did not exist. The article contains references to the research of O. Kiseleva on the relationship between business and charitable foundations. Studies by Tarasova M. V. are of great importance in understanding the processes of fundraising. Radzetskaya O. gave a characterization and identified trends in the development of the financial component in charitable activities, the budget process and stupidity in reporting, which were aggravated with the onset of the coronavirus

pandemic. The scientific novelty of the research is due to the absence in world practice of comprehensive restrictions on movement, on offline work, on visiting the wards of the foundation, providing them with assistance and other restrictions. In this article, we consider the impact of the coronavirus pandemic on the charity sector, analyze the preferences of charity areas, highlight the place of measures to help children with disabilities in it, and identify trends that are relevant for development in the next years, while maintaining all the restrictions.

3 Purpose of article

The coronavirus pandemic has presented the world with new requirements, in particular, requirements for transparency, this is true both for reporting and for all activities of funds. The purpose of the study is to outline the main trends in the development of the charity sector and, in particular, foundations dealing with the treatment and rehabilitation of children with special needs. We believe it is important to rank the drivers (factors of the external and internal environment, contributing to the development of the sector) and obstacles (factors hindering the development of the charitable sector) that have been highlighted in the philanthropy field due to pandemic restrictions.

4 Results

The total amount of funds mobilized for charity and social business programs is about 0.5% of Russia's GDP, based on Assessment of the Center for Wealth Management and Philanthropy of Moscow School of Management SKOLKOVO (2021). Practically all large corporations are involved in charitable activities along with institutional donors, the majority of capital owners and wealthy citizens actively and systematically participate in it, and one-time charitable donations are made by a significant share of the country's population. The largest independent charitable foundations are becoming prominent actors in the social environment and information space. Russian business, along with the largest charitable foundations, takes on such an important function as the development and testing of new social technologies, their debugging and transfer to the state for replication. In 2019, the

Center for Research on Philanthropy and Social Business Programs of INEU UrFU began a series of studies aimed at creating a proven and up-to-date information and analytical database on philanthropy in Russia and other countries. Indeed, in the course of expert discussions, it is often argued that in Russia it is the role of business (and not just charitable foundations and NPOs) that is very important for the development of the philanthropic sector – both in terms of the volume of charitable and social business programs and in terms of business practices used. However, due to the lack of mandatory corporate social reporting and generally accepted reporting standards, there is not enough information to conduct a detailed analysis of these issues, based on Expert 400 rating (2017–2018).

The available data are fragmentary, they do not allow to accurately determine the total volume of charitable expenditures of a business, to assess the scale of spending in various areas, and also to determine the preferred formats and priorities of activities. Meanwhile, this information is necessary to increase the transparency of the sector, assess and predict trends in the sector of corporate philanthropy, and in general – to improve the conditions for the development of the sector. This data made it possible to reveal the preferences of donors.

The most popular areas of charity – by a large margin from other areas of donation – are helping children, followed by assistance to the poor (28-50%), assistance to religious organizations. According to the list of popular areas of charity, Russian capital owners differ little from the general population, as shown on Figure 1.

It should also be noted that only 35-40% of funds of small and medium business managers and owners of capital ended up in independent NPOs, the rest of the funds were directed directly to specific people or donated through their own funds. The importance of an online platform for donating to individual donors is growing rapidly. The number of private donors donating money on online platforms has grown 30 times since 2013. In 2017, over 400,000 Russians donated through platforms. However, most charitable foundations do not attach sufficient importance to the importance of the Internet as a convenient channel for donors. So, of the number of registered charitable organizations, 70% are not

| Population, individuals | Small and medium businesses | Top managers, private funds |
|-------------------------------------|-------------------------------------|-------------------------------------|
| Kids with special needs 58% | Kids with special needs 62% | Kids with special needs 74% |
| Religious organizations 30% | Poor and socially disadvantaged 49% | Poor and socially disadvantaged 50% |
| Poor and socially disadvantaged 28% | Religious organizations 26% | Religious organizations 28% |
| Animals 20% | Education and science 14% | Education and science 22% |

FIGURE 1 Development priorities for charitable activities

Source: Assessment of the Center for Wealth Management and Philanthropy of Moscow School of Management SKOLKOVO, 2021

represented on the Internet or are not visible to search engines, of the remaining, only two-thirds are actually active. More than half of the charitable and non-profit organizations presented on the Internet do not publish practically any reports, and only less than a third have posted reports on their activities for 2017 on the website (Tarasova, 2019).

Every year the transparency of reporting increases, this is due to the request of the consumer, since no one wants to donate to an opaque fund. On the other hand, the legal framework helps to solve the problem of accessible reporting, obliging charitable foundations to provide reporting as fully and openly as possible.

The heads of private and corporate charitable foundations and programs interviewed in the framework of this study noted the following obstacles and drivers for the development of charity in the context of the new coronavirus infection pandemic.

Drivers (factors of the external and internal environment, contributing to the development of the sector).

- High activity of organizations and professional community. The sector as a whole is about 25 years old. For a quarter of a century, there has been a tremendous leap, a leap. It's not even a matter of increasing volumes, but in professionalization, in the formation of specialists and the expert community. Due to this, colossal growth occurs.
- Rapid development of new technologies. There are things that will develop regardless of anything: this is mass charity, this is all that is connected with the use of the Internet for charity, this is the growth of small donations. Because large donations are more dependent on the economic situation, crises. In this study, we will bracket social entrepreneurship, since it is a completely different topic. But it, of course, also affects the sector from the other side.
- Involvement of a wide range of people in private charity and civic activism to solve specific problems at the local level; exponential growth in the volume of individual donations.
- The growing role of charitable organizations in solving social problems, primarily in the rehabilitation of children with special needs. This includes fees for the purchase of expensive drugs that are not registered in Russia. The readiness of the state to delegate to charitable foundations some of the tasks, the allocation of resources for this. The emergence of sustainable funding mechanisms and methodological support for the philanthropy sector: the Presidential Grants Fund, competitions of large foundations, and similar.

Obstacles (factors hindering the development of the charitable sector):

- Low level of trust of the population and companies in charitable foundations, lack of understanding of why NPOs are needed. Efforts should be made in society to overcome the negative connotation that charity is a corruption scheme. There should be intellectual information that many forms of life, which seem to us more interesting and progressive, are actually developed within the framework of the third sector. And new art would never have become a new art if not for charity. And scientific breakthroughs would never have occurred if not for charity.
- Public recognition of the role of the sector by society and the state is very important for the development of the sector. Tax breaks for companies would probably be very stimulating, but it would be more stimulating for public recognition, PR and GR support for companies that are actively involved in charity. Of what can be done for the sector today, it is not economic measures (tax breaks, etc.) that are more important today, but measures that would change the main message from the state. Now the main message is that NPOs are bad. NPOs are good at doing some specific things, but in general it is bad. They cannot be trusted and there are various reasons why they cannot be trusted. It's harder to change. The issue of trust is not resolved through changes in legislation. An important factor is the recognition by the state that the state will not be able to cope with the social burden without the sector. There is a feeling of mistrust in our independence and a certain desire to take over everything that is more or less successful.
- The lack of tax incentives and other clear methods of material or non-material incentives for participants in charitable activities, or the provision of such benefits on terms that are very difficult to use. It should be like this: if a businessman sent 20 million rubles to charity, and paid 10 million in taxes, then there should be a tax write-off. Let it be at least half of the charitable amount in its pure form, not interest. If it is spent on charity, it means that the state has been issued a check for 50% of this amount. Then, of course, it will be stimulating. For large companies, the provision of tax incentives would be relevant, because significant amounts are allocated to charity. As a rule, the fund's budget is formed from the company's profits – this is no secret. If it were possible to have some kind of tax concession, then charity, of course, would be noticeably intensified.
- Underdeveloped tools to stimulate charity. In order to stimulate both private and corporate investments in charity, it is necessary to develop incentive tools. To stimulate the same medium or

small business. As soon as it comes to stimulation, a lot of opponents immediately arise. But this is a normal global practice that will certainly be implemented over time. The Foreign Agents Act, which led to the deprivation of funding for human rights organizations, a general decrease in the level of trust and the fear of non-profit organizations to support complex topics.

- Insufficient level of professionalism in NPOs; lack of self-regulation, transparency of actions, responsibility and general ethical standards. Especially when it comes to psychiatry or children with special needs, many efforts of the sector, including the state, stumble upon the fact that society is completely unprepared. The society shows very negative feelings, and here the solidarity of the sector is low.
- A number of complex requirements for registration and reporting procedures.

Separately, it is worth mentioning the practice of applying the Law on Foreign Agents. The existence of such a law is a significant obstacle to charity in general. After all, even 1 donation from outside the Russian Federation makes it possible to call a charitable foundation a "foreign agent", significantly complicating its activities. On formal grounds, the state can give this status to any NPO, even if it is not involved in politics, but provides support to needy groups of the population, in particular, children with special needs. This does not prohibit work, but it inflicts an image blow on philanthropists. Foundations are forced to find out from their donors their foreign sources of income. As a result, many firms find it easier to refuse charity. In November 2021, at the time of writing this paper, the heads of charitable foundations sent a letter to Russian President Vladimir Putin with a request not to extend the law on "foreign agents" to them. They also proposed to give the right to NPOs already included in the list of "foreign agents" to leave the register of the Ministry of Justice of Russia in the event of a change in the law. Foundations dealing with the treatment and rehabilitation of children with disabilities – Such cases, Give life, Butterfly children, House with a lighthouse, I will help and others – there are about 40 fund managers in total. The main argument is that the statutory activity of a charitable organization cannot be considered political activity, therefore, it is excluded from the scope of application of the norms of the cited federal law. How to become a foreign agent? Very simple. There is a bakery that bakes croissants. For each croissant, the bakery sends five rubles to a charity fund. There is a foreign embassy that buys croissants from a baker. It turns out that the baker has foreign income. And since he sponsors an NGO, the Ministry of Justice easily recognizes him as a foreign agent. In accordance with the provision of clause 6 of

Article 2 of the Federal Law "On Non-Commercial Organizations", for the recognition of a non-profit organization performing the functions of a foreign agent, the following conditions must be met:

- a) receipt by the organization of property from foreign sources;
- b) participation in political activities carried out on the territory of the Russian Federation.

Therefore, for recognition as a foreign agent, in addition to foreign funding, the factor of political activity must also be confirmed.

At the same time, the Constitutional Court, in Resolution No. 10-P of April 8, 2014, confirmed that the mere receipt by a non-profit organization of funding from foreign sources and its only potential opportunity to engage in political activities are not grounds for recognizing it as a foreign agent performing the function of a foreign agent.

It is proposed to amend clause 7 of article 1 of the law "On non-profit organizations" so that it sounds like this: "Clause 6 of article 2 of this federal law does not apply to associations of employers, chambers of commerce and industry, charitable organizations registered in the manner prescribed by law" (employers' associations and chambers of commerce and industry are still not subject to the law on "foreign agents").

Charitable activities are already subject to control by the Ministry of Justice of Russia, in the event of actions that contradict the goals of a charitable organization, it can be liquidated in court.

The concept of charity is when rich people or companies help the poor and needy lose their relevance. The new reality is the practice of solidarity, the product of the world of social networks and digital technologies. Today, everyone can effortlessly transfer a small amount to someone they would like to support, and social networks will tell you exactly who needs what and where. In this way, charitable organizations form a stable base of supporters that can be mobilized almost instantly. And for companies with developed corporate practices of assistance, there is also a place here: they can involve employees, customers and partners in their projects. This suggests that a horizontal structure of charity is being formed.

The second clear trend is an increase in the volume of private donations and their number. In 2019 alone, private philanthropists contributed about 500 million rubles to the accounts of aid funds. This amount is already comparable to how much large companies and private philanthropists donate to charity. And judging by the fact that donations practically did not decrease in 2020, the importance of private charity will only grow (Fundraising in Russia, 2021).

The third trend is an increase in the share of online donations in the total amount of funds that people spend on good deeds. 2020 has once

again shown the importance of digitalization in philanthropy. The figure allows you to continue to do good even in conditions of full or partial lockdown. Although in 2018, research showed that 40% of charities have never collected donations online. For socially oriented companies there is an opportunity to use their intellectual resources, knowledge, skills to help foundations in establishing digital infrastructure to attract supporters. Already in 2019, citizens donated more via the Internet than in cash. Donations to specialized platforms have grown exponentially. For 5 years, the volume of these donations has grown 15 times, and the number of donations – 30 times. There are no other markets with the same growth now. For corporate philanthropists, this is an opportunity to bring their employees to charity online; for charitable foundations, it is a way to find supporters.

The fourth trend concerns the fact that the goals for which people are willing to give money are changing. The traditional “menu” of charity – support for culture, medicine, education, vulnerable groups of citizens – is expanding. People are already interested in global goals, including the sustainable development goals promoted by the UN. Therefore, charitable foundations, following the interests of the funder, can include these new topics in their agenda.

Along with a focus on global problems, charity is also very local in nature. When every member of the community can be both a sponsor and a leader of changes, and a beneficiary of these changes, that is, from passive recipients of assistance, local communities become active subjects of social change. The local philanthropy movement is an expression of this trend.

It is one of the tasks to achieve greater involvement of representatives of small and micro businesses in charitable activities. Entrepreneurs have a need to make the world a better place. And someone is already doing it – they are sharing their resources and time with those who need help. It remains to convince small businesses of this and find forms for public participation in charity.

Small business participates in projects when the leader is engaged in it. He starts, sets an example to his employees, infects them with charitable deeds, people connect – such a chain of good comes out. An entrepreneur is not only about creating and undertaking, it is also about creating, it is about sharing your good intentions. The more people will connect, the wider the initiatives will be, the more people will be included in the projects.

A federal-level charitable organization – Rusfond – specializes in fundraising to help children suffering from serious illnesses. In addition, the foundation is one of the founders of the register of bone marrow donors in Russia. In 2020, during the pandemic, Rusfond launched the Protect Doctors program. The Fund does not replace or replace

the state. He helps the state when the state, for whatever reason, cannot help seriously ill children. For example, to buy a medicine that is not included in the list of free drugs or is not registered at all in Russia, or when an operation is needed that is not reimbursed from the CHI (Compulsory Health Insurance) fund.

The Foundation has created a unique network of journalistic fundraising, cooperates with more than 150 media outlets.

5 Conclusions

The main trends in the development of modern Russian philanthropy, relevant over the past 3 years, include:

- growth in the sector, primarily due to the growth of individual donations (which recently exceeded institutional donations);
- active development of local philanthropy in the regions of presence of large companies, partly stimulated by the influx of material and organizational resources from companies and institutional donors;
- the high role of business and “living donors”, leading, among other things, to the growth of the influence of business approaches and a strict focus on measurable results in organizing charity;
- blurred boundaries between philanthropy, the emergence of an increasing number of “mixed formats”;
- the flourishing of fundraising platforms and technology solutions. According to the Ministry of Justice, about 220,000 NPOs were registered in Russia in 2018. Rosstat in its yearbook “Russia in Figures” estimates the number of NPOs at 90 thousand. But by no means all NPOs are charitable organizations. The number of charitable organizations in 2018 was just over 11 thousand, of which 62% were registered in the last 10 years. The total amount of charitable donations from various institutions and business social expenses can be estimated at 340-460 billion rubles per year, or 0.4 – 0.5% of GDP, of which business accounts for up to 250 billion rubles.

The corporate social expenditures of large companies in the extractive sectors tend to be at or above the level of external social investments; in some cases, they exceed many times. The share of external social investments in companies' revenue tends to decrease as the scale of companies' business decreases. Priority areas of spending and SDGs (Sustainable Development Goal) among the priority areas of external social investments of large companies in all business segments have considered were spending on treatment and rehabilitation of kids with special needs, sports, education, and cultural heritage prevails.

It is important to note that all large companies in the list of areas of social activity have programs aimed at supporting socially vulnerable groups of the population: disabled people, people with congenital diseases, allowing such people to learn and actively participate in public life. Companies in their social reporting declare their commitment to such UN sustainable development goals as gender equality, reducing inequality and eradicating corruption, disclose

company policies in these areas, and provide statistics on the gender composition of employees. At the same time, companies practically do not provide financial support to human rights organizations working for the same purposes in the external environment (exceptions are isolated). An increasing number of companies determine the directions of external social investments in the regions and make these investments with the active involvement of local communities.

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