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The 2022 Global Philanthropy Environment Index Region Report: Central Asia and South Caucasus

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SUMMARY

There have been no major changes observed in the philanthropic environment in Central Asia and South Caucasus since 2018. However, two major events in the region—the presidential elections in Belarus and the Nagorno-Karabakh war, an armed conflict between Armenia and Azerbaijan—affected the political environment in the given countries, thus affecting the philanthropy. Civil unrest that sparked in Belarus negatively affected the civil society organizations (CSOs) and many activists were imprisoned. Armenia and Azerbaijan saw a rise in philanthropy, as many donations were driven toward the victims of the war. Georgia, Kazakhstan, Kyrgyz Republic, and Russia were relatively stable during the reporting period. Conditions of receipt of foreign aid worsened in some countries. The COVID-19 pandemic deteriorated the economic situation in all the countries of the region. At the same time there was observed the rise of philanthropic activities due to the pandemic. The support was mostly provided to the healthcare system and vulnerable groups of people, not only by CSOs actively engaged in charity but also by individuals.

Trends Observed at the Regional Level between 2014-2017 and 2018-2020

Ease of Operating	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall
Stable	Stable	Stable	Mixed	Mixed	Positive	Mixed

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

KEY FINDINGS

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

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

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

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

- Individuals can relatively easily form and incorporate the organizations defined, except in Belarus, where the registration process is lengthy, burdensome, and arbitrary.
- The registration process of an NGO in Armenia was shortened from 21 to 10 days.
- New legal changes were introduced in Kazakhstan, whereby peaceful assemblies have a "notification character" instead of a "permitting character."
- New amendments in laws introduced in Russia eased some restrictions on endowments and made it possible for POs to invest in stock and earn higher income through their endowments.
- Broadened interpretation of the legislation on combating extremism in Belarus led to criminal charges against some people and organizations, providing assistance to the accused (as it was interpreted as "funding of mass riots"). Reporting requirements seriously increased for NCOs (non-commercial organizations) in 2020.
- In Kazakhstan, severe administrative penalties are imposed on NGOs for inaccuracies in filling out the reporting forms on foreign sources of funding, including suspension of activities for up to three months.
- New amendments in a law were introduced in Russia regulating the procedure of donations through money-boxes in public places, whereby illegal collection of donations leads to legal responsibility.
- In Belarus, a special dissolution procedure for "recognition of registration as unlawful" remains a serious threat to institutions.
- Implementation of an E-government system in Kazakhstan allows for transparent rules on termination and liquidation of POs.
- In Kyrgyz Republic, legislative initiatives since last year have begun to control public organizations, up to the liquidation of the organization unilaterally, but all attempts were repelled by civil society and donors.

II. Domestic Tax and Fiscal Issues

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

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

- There are no tax deductions for donors in Azerbaijan.
- In Belarus, only a donation to an organization from an approved list can qualify for a tax deduction, not exceeding 10% of a donor's profit.
- In Belarus, membership fees and internal donations are exempt from income tax. Foreign donations and grants should be registered and undergo a special procedure for obtaining a tax-exempt status, which may partially or fully be refused.
- In Georgia, grants, donations and membership fees are exempt from profit tax. Since January 1, 2019, profit received by a non-profit legal entity through an economic activity shall be exempt from profit tax, provided that this profit will be used for economic activities, meeting

other purposes set by the organization, charity work or activities stipulated by a grant agreement.

- In Kazakhstan, current legislation provides the same tax incentives for donors: 3 percent tax exemption of profit of big-scale businesses and 4 percent tax exemption of medium- and small-scale businesses. In 2020, tax officials have notified at least 13 NGOs that they incorrectly completed the reporting forms on receiving foreign grants and imposed fines on some of them pursuant to the Code of Administrative Offenses of Kazakhstan.
- In Kyrgyz Republic, organizations can receive tax benefits, but they must have the status of charitable organization, while 98 percent of their budget must be spent on charity and only 2 percent on administrative expenses.
- In Russia in 2020, legal entities were given an opportunity to include in their overhead costs, while calculating the tax base for the organizations' income tax, expenses in the form of the cost of property, including monetary assets, donated to POs in an amount not exceeding 1 percent of the revenue from sales.
- The Tax Code of the Russian Federation provides for a reduced insurance premium for the wages fund, 20 percent instead of the standard 30 percent for charitable organizations until 2024.

III. Cross-Border Philanthropic Flows

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

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

- The requirement to receive the National Bank's approval for Belarussian citizens to open bank accounts abroad was lifted. However, in order to transfer money to individuals' bank accounts abroad, the National Bank's approval must be obtained (it was expected that this restriction would lose its force in 2021 in accordance with the newly adopted amendments to the law "On currency regulations and money control."
- New regulation on the receipt of foreign aid was introduced in May 2020 in Belarus (prior to the presidential election) which has cut the already limited list of purposes for which foreign donations can be received. After the presidential election, several criminal cases were launched that related to provision, receipt, and distribution of foreign aid; a range of activists are now behind bars for that.
- In Georgia, changes introduced into the legislation on prevention of terrorism established a new monitoring body that oversees foreign transactions to and from Georgia. Additionally, the banks have to report all transactions made from abroad to non-profit organizations in Georgia (for charitable organizations, the threshold is lower— approximately USD \$3,000, whereas the general rule is USD \$15,000).
- In Kazakhstan there is a strict rule on reporting about grants received from abroad to tax authorities, the Ministry of Information, local community government and a local bank serving POs.

IV. Political Environment

To what extent is the political environment favorable for philanthropy?

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

- The political and economic situation in Armenia became fragile in September 2020 with the start of the Nagorno-Karabakh war, an armed conflict between Azerbaijan and Armenia. The economic and political instability in the country “activated” philanthropy and charity in Armenia due to emerged needs of the society.
- In Azerbaijan the government recently established two charitable foundations: Yashat and Dirchelish for support of those wounded in Karabakh and for rebuilding of Karabakh as the war ended in November 2020. The absence of a separate law governing charities creates certain problems (cash boxes are not regulated, crowdfunding legislation does not exist, there is no procedure for obtaining a charitable status, etc.)
- The political climate and the situation of civil confrontation in Belarus are unfavorable to the development of philanthropy: civic consciousness is growing (especially the feeling of social corporate responsibility in the IT sector), volunteering and donation culture are developing, but the authorities perceive any uncontrolled activity as an assault on the sustainability of the regime and any independent group as a potential threat or foreign agent.
- In 2020 in Belarus, charitable aid from businesses in some cases became the grounds for pressure and persecution, including criminal charges, and initiated smear campaigns by the state in state media and social networks.
- In 2019, the Civil Society Institute of Georgia initiated a draft ‘state concept for supporting the development of public organizations,’ which currently is being reviewed by the Parliament of Georgia. The concept lays down the principles for cooperation between state institutions and civil society organizations and covers aspects relating to the participation of civil society organizations in reviews of policy documents and discussions of pressing issues, as well as the development of volunteering and sustainability of civil society organizations. As a result of this effort, state funding and grant issuing power is vested in local authorities and is included in the state responsibility in the 2018-2019 Open Governance action plan approved by the Government of Georgia.
- In December 2020, the President of Kazakhstan tasked the government of Kazakhstan to create a bill to improve philanthropy and charity, which is currently under development. The year 2020 was declared by Kazakhstan as the Year of the Volunteer, indicating seven main priority areas. The Samruk-Kazyna Trust Foundation, the main donor of POs established by the state, disbursed KZT 150 million (USD 360 thousand) in a state grant to POs in social entrepreneurship in 2019. The government established a non-commercial joint stock company, “Civil Initiative Support Center,” which provided grants to POs in the amount of USD 3.5 million during 2018–2020.
- In Kyrgyz Republic, under pressure from the president's office, deputies have several times initiated a bill against NGOs, offering additional reporting and control over them. Consideration of the new law on charities in Parliament is planned for next year.
- In late 2019 the new Concept for Facilitating the Development of Charitable Giving was approved by the Russian government. The concept envisions growing possibilities for further cooperation between the philanthropic community and the state at different levels and in different areas.

V. Economic Environment

To what extent is the economic context favorable for philanthropy?

- Economic instability and a state of martial law boosted philanthropy in Armenia. A number of small and medium enterprises (SMEs) started promoting their business by donating all or some part of their income for the needs of the soldiers during the war.
- In February 2020, President Aliyev of Azerbaijan signed the National Action Plan on Open Government Partnership that provides for improving legislation related to NGOs, such as simplification of NGO registration, registration of grants and donations, reducing the reporting burden of NGOs, increasing public participation, etc. There is general economic stability, despite the pandemic creating serious business issues. The government provided businesses with compensation from the state budget for the most affected areas of business due to COVID-19.
- The period of 2018–2019 in Belarus saw positive improvement of economic conditions for philanthropy: improvements in the environment for doing business, growth of the private sector, and financial opportunities for philanthropy. Crowdfunding and other forms of IT usage have been introduced in the business community. The increase of foreign aid and integration of the country in the global economy has also furthered the development of philanthropy. The situation drastically changed in 2020 due to the COVID-19 pandemic, presidential election and the protests and clashes that followed.
- Existing socio-economic challenges, the political environment, high-level corruption risks and the urgency to reform the justice sector in Georgia have shaped the current economic standing.
- The growth of philanthropy in 2018–2019 in Kazakhstan could be correlated with economic growth and stability, but philanthropy acceleration in 2020 is mostly related to COVID-19, which united people during the crisis.
- Deep-rooted corruption in Kyrgyz Republic is undermining health systems and exacerbating violations of democratic principles amid the COVID-19 pandemic.
- The economic problems caused by the COVID-19 pandemic have negatively affected philanthropic giving in Russia, also. The changes may possibly be attributed to the negative impact of self-isolation.

VI. Socio-Cultural Environment

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

- In Armenia people tend to support each other more actively in times of crisis. With the start of the war in September 2020, the flow of donations and volunteering activities greatly increased in comparison to the first half of 2020.
- There are no social factors that impede or hinder the growth of the philanthropic sector in Azerbaijan. There is a strong infrastructure to encourage youth involvement in civil society, as there is a special Youth Fund. Philanthropy advocacy is underdeveloped and there is no progress in improving access to foreign funding. There are very few think tanks or academic centers researching and advocating the field.
- The non-democratic regime and the absence of rule-of-law in Belarus do not favor the development of philanthropic CSOs. Despite the fact that cultural preconditions for

philanthropy have not changed, the events of 2020 are evidence that people are ready for philanthropic values.

- Traditions of philanthropy and the relevant socio-cultural environment have not changed considerably for the past three years in Georgia. Challenges of the COVID-19 pandemic sparked a series of volunteering and philanthropic activities.
- Despite a lack of good philanthropic environment policy, actual philanthropy by wealthy and not wealthy individuals and companies, particularly among middle-aged people and youth, is growing substantially in Kazakhstan.
- The socio-cultural environment in Kyrgyz Republic is characterized by limited public awareness, lack of monitoring and evaluation, and lack of public trust.
- In general, people in Russia are more willing to get involved in charitable practices informally. At the same time, there are infrastructure organizations supporting the development of philanthropy in the country.

VII. Future of Philanthropy

Summary of the future development trends in the philanthropic landscape

- The philanthropic activities in Armenia in 2021–2022 will probably continue addressing the aftermath of the war and the COVID-19 pandemic.
- Future development trends in the philanthropic landscape in Azerbaijan will relate to rebuilding Karabakh and the return of hundreds of thousands of internally displaced individuals. The charitable foundation Yashat will take care of those wounded in the war, as well as their families. Yashat already introduced a text message donation and online donation schemes. There is a growing interest in crowdfunding but the legislative framework is not supportive of it.
- The prospects for philanthropy in Belarus will depend on the political regime. If the current authoritarian regime stands, the philanthropy conditions will be unfavorable and they will deteriorate because the authorities see independent philanthropic CSOs as a source of future civil resistance to tyranny. Foreign funding will decrease due to economic sanctions, isolation of the Belarusian economy, new restrictions on cross-border philanthropy, and a general reduction of investments. Digital tools and the use of technologies for philanthropic purposes will develop in the next stage, but their vulnerability to threats of various kinds will also increase.
- The expected trends in the philanthropic landscape in Georgia: a) CSOs continue to establish themselves as development actors; b) CSOs utilize participatory approaches and more deeply reflect public needs; c) CSOs resist pressure from the government and other conservative or pro-Russian political forces; d) CSOs broaden efforts to improve their public image; e) CSOs continue to negotiate with the government for a better philanthropic environment to increase their effectiveness; f) CSOs improve their capacity to better engage in policy dialogue with the government; g) work is underway to ensure the support for financial sustainability of CSOs through creating an enabling environment for the diversification of sources of funding for the sector and regulating social entrepreneurship.
- Crowdfunding in Kazakhstan has a tendency to grow, particularly among young people. Philanthropy through social media platforms is/will be a driving force for the future of local philanthropy. Middle-aged wealthy individuals will try to institutionalize their philanthropic activities in different forms, including establishing foundations and charity organizations.

There is a probability of developing and promoting endowments by local educational institutions. Digitalization of philanthropic activities will be accelerated. The process of forming political parties, youth collaboratives and movements will be accelerated, too. Ecological and environmental activist groups will elevate their activities across the country. State-private Partnerships will be improving, as well (Civil Society Initiative, 2019).

- Non-institutionalized philanthropy is prevalent in Kyrgyz Republic due to the lack of charity organizations. Charitable activities are gaining popularity, which may be explained by religious and cultural traditions along with the rise of well-off social groups.
- Future trends in Russia: rising demand for philanthropic support among nonprofits and their clients; consolidation of financial and organizational resources among various contributors to philanthropy; strengthening horizontal and vertical partnerships; professionalization of POs; innovative forms of online fundraising.

Key recommendations to improve the environment for philanthropy in the region

Country	Recommendations
Armenia	<ul style="list-style-type: none"> • Incorporate active voluntarism and philanthropy in national culture in stable times/not in crises. • Implement legal regulation of volunteerism and philanthropy, adopt philanthropy as one of the state priorities (i.e., amendment of the tax exemption procedures and conditions, decreasing the percent or eliminating bank commissions for international transfers and donations for POs). • Increase the transparency of the POs.
Azerbaijan	<ul style="list-style-type: none"> • Simplify access to foreign funding. • Reduce reporting burden of NGOs. • Eliminate barriers for donating, such as cash limit, ban for foreigners to donate, requirement to register all donations, etc.
Belarus	<ul style="list-style-type: none"> • Abolish Decree No. 3 on foreign gratuitous aid. • Abolish Edict No. 300 on internal charitable (sponsor) aid. • Lift the ban on the activity of public associations without registration (remove it from article 7 of the law "On public associations").
Georgia	<ul style="list-style-type: none"> • Adopt the State Concept for the Support of the Development of Public Organizations by the Parliament of Georgia. • Diversify funding base for local CSOs with state financing considered to play a key role. • Continue making efforts to support volunteering and introduce relevant legal mechanisms.
Kazakhstan	<ul style="list-style-type: none"> • Improve policy and capacity building. • Institutionalize individual philanthropy and provide tax incentives for individuals making donations. • Accelerate public awareness and promote digitalization.

Kyrgyz Republic	<ul style="list-style-type: none"> • Develop legislative and regulatory environments for philanthropy. • Equip those involved in philanthropy with skills to develop this sector. • Establish diverse pathways for citizen participation in philanthropy.
Russia	<ul style="list-style-type: none"> • Do not change any charity-related legislation. Keep the current changes in legislation conducive to the growth of philanthropy. • Pay attention and undertake measures to check the growth in fake philanthropy. • Increase the transparency of charity activity taking place in this country.

VIII. Philanthropic Response to COVID-19

What are the areas where the nonprofit sector and philanthropy play a role in responding to COVID-19 in the region?

What are the innovations and new trends in the nonprofit sector and philanthropy related to COVID-19 responses?

What have been the main impacts of COVID-19 on the philanthropic environment in the region?

What are the anticipated impacts of COVID-19 on the philanthropic environment in 2021?

Armenia

COVID-19 response activities yield their place to donations and philanthropic support for displaced families, wounded soldiers, and other victims of the war. The amount of donations increased and were directed to support the hospitals and healthcare organizations, although there is no official data on this. Apart from philanthropic organizations, several individuals were volunteering to help.

In 2021 most of the philanthropic efforts were to be directed to post-war rehabilitation (physical and psychological) rather than COVID-19 impacts. According to statistics, Armenia has already seen a drop in the number of infected patients and this circumstance greatly draws attention toward post-war issues.

Azerbaijan

NGOs helped to disseminate food and medication to those in need during the pandemic, and to raise awareness among the population about COVID-19 and countermeasures. NGOs and the population in general became more united against COVID-19. The government demonstrated flexibility and allowed ongoing projects of NGOs to be switched to humanitarian projects, as it was not possible to implement them during the lockdown. Many NGO activities and projects were cancelled or were put on hold. More and more online events took place and travel restrictions were imposed. Currently there is freedom of movement: CSOs are free to travel to regions and to meet with their communities and beneficiaries with up to 10 attendees. Vaccination is ongoing.

Belarus

CSOs played a significant role in the collection of funds for health care facilities, the collection and production of personal protective equipment (masks, protective shields, sanitizers), mobilization of volunteers, and assistance to health care workers (accommodations and food). There was unprecedented cooperation among the volunteer movement, crowdfunding platforms, businesses, and state health care agencies (especially at the grassroots level). In the spring of 2020, CSOs' significant role in overcoming the consequences of the COVID-19 pandemic was silenced at the national level. However, at the level of hospitals, CSOs and volunteers were the main driving force of resistance against the pandemic.

Georgia

In response to pressing challenges brought about by the pandemic, civil society organizations had planned and implemented volunteer activities aimed at supporting high-risk groups, senior citizens and socially vulnerable families. The state of emergency effective from March to May 2020 in the country resulted in the restriction of certain rights and freedoms for many entities including CSOs, especially with regard to such rights as civic participation in decision-making processes, assembly, access to information, freedom of movement, implementation of certain economic activities, etc. Some of these restrictions were left unchanged even after the state of emergency had been cancelled, affecting social enterprises and non-profit legal entities undertaking economic activities. In 2021 restrictions were lifted, which enabled many CSOs to get back to their normal operation. At the same time, there is a looming risk for the comeback of the pandemic, which will inevitably affect the sector's normal operation while a grave economic situation is highly likely to further challenge the prospect of the development of philanthropy.

Kazakhstan

There were two major areas in which NGOs and philanthropy played a key role in responding to COVID-19: 1) Health care system: provided hospitals with rapid testing systems, installed new testing labs, provided trainings to medical staff of testing labs in the use of the new testing systems, provided hospitals with lung ventilators, face masks, personal protection systems, disinfectants, etc.; and 2) Provided support to those who lost jobs and to vulnerable groups of people with food and basic needs.

NGOs helped in the adaptation of educational programs to online delivery platforms and developed very quick learning tools for online education systems by upper-middle-age schoolteachers. COVID-19 tremendously impacted individual philanthropy, digitalization of philanthropy, and development and implementation of online education programs. In some cases COVID-19 led to a rise in aggression among young people due to lockdowns and isolation.

Kyrgyz Republic

The period of self-isolation stimulated NGOs to actively implement online employee training in their work, and a third of organizations came up with services to support beneficiaries in an online format. At the same time, half of the NGOs are in limbo; their projects have been postponed indefinitely. NGOs have no experience in collecting online donations and online fundraising tools. During the pandemic, there is more activity on the part of volunteers and businesses, and to a lesser extent

charities. With donations from the public, volunteers buy protective equipment and medicine, food, and other necessities for the poorest people.

Russia

Both businesses and philanthropy played a visible role in responding to the pandemic, launching a variety of charitable activities in the area such as making monetary donations to support medical workers, initiating the procurement of personal protective equipment for hospitals, providing medical workers with hot meals at their place of work, and establishing coffee-points at the hospitals.

A new trend observed was that mostly the younger generation provided targeted support for their favorite shops, cafes and retail businesses during self-isolation. This population group spurred the digital transformation of nonprofits and POs, including online fundraising. The COVID-19 crisis also contributed to strengthening partnerships at the local level, the growth of neighborhood self-help communities, and the redistribution of individual monetary donations among strangers in need and family/friends in difficult circumstances.

It is anticipated that the number of citizens in need of direct social support and charity will be on the rise in the short-term. This will enhance societal needs for the services provided by nonprofits and charitable resources of POs. However, many smaller and relatively new nonprofits and SMEs, especially in the regions, will reduce the number of charity programs, and many may cease to exist. These trends may negatively affect the resource base of the national charitable sector. In this context, the consolidation of resources (financial, institutional, and organizational) of various players contributing to charity (POs, CSOs, businesses, governments, and volunteers) will become an urgent necessity. This will enhance the scope of various kinds of partnerships, both horizontal and vertical, consolidation of programs, and joint projects. The dwindling resources of the charitable sector will advance the issues of the effectiveness of charitable programs and the professionalization of the philanthropy sector. The trends that have surfaced during the pandemic will also continue to take shape. These are online fundraising tools and practices of donor relationship management.

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