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**JUNE 20–22, 2013**

**Russia's New Horizons**  
**CULTIVATING THE NEXT GENERATION OF GLOBAL PHILANTHROPISTS**  
**Panel**

**JUNE 20, 2013**  
**14:00–15:15, Pavilion 5, Conference Hall 5.1**

**St. Petersburg, Russia**  
**2013**

**Moderator:**

**Michael Elliott**, President, Chief Executive Officer, ONE

**Panellists:**

**Oleg Deripaska**, Chief Executive Officer, Chairman of the Management Board,  
UC RUSAL; Founder, Volnoe Delo Foundation

**Jürgen Griesbeck**, Founder, Chief Executive Officer, Street Football World

**Aleksei Kudrin**, Dean of the Department of Liberal Arts and Sciences, St.  
Petersburg State University

**Lenka Setkova**, Director, Coutts Institute, Coutts

**Ruben Vardanian**, Co-Head, Sberbank CIB

**M. Elliott:**

I work for a global advocacy and campaigning organization that works on combating extreme poverty and preventable disease, with a particular focus on Africa. We have a very interesting topic to talk about for the next hour: Cultivating the Next Generation of Global Philanthropists. Russia is exactly the place where we should be having a conversation about this.

It is fair to say that the extraordinary development of the Russian economy over the past fifteen years has meant that the philanthropy here is at an exciting inflection point. There are enormous resources at play. It is still not entirely clear how they will be deployed or whether they will be dispersed. However, we have a panel with an enormous amount of knowledge, ranging from those already in the field to those with a deep understanding of what the current state of philanthropy looks like in a global sense.

Allow me to introduce the panel. Mr. Ruben Vardanian, Head of Sberbank CIB, on my far left. At least one of the two seats next to him will be filled, as Mr. Jürgen Griesbeck is on his way over. Then we have Ms. Lenka Setkova, Director of Philanthropy Services of Coutts Institute, or 'banker to the Queen' as she is sometimes described in my country of origin. You will not see her in your programme. On my immediate left, we have Mr. Oleg Deripaska of UC Rusal. We will have some very quick opening thoughts on what philanthropy means in Russia, and around the world, at the moment. We will have a panel discussion and then we will open it up to the questions from the floor. Ruben, seeing as you are the furthest away from me, would you like to commence?

**R. Vardanian:**

Thank you, Michael. I will try to be very brief. I will speak in Russian.

I am pleased to welcome you all. I am very happy to see so many people at this session.

I think we should start our discussion by considering that the terms philanthropist, sponsor, and benefactor mean different things to different people. When we are talking about educating a new generation of philanthropists, we should think about what this really means, as charity also means different things to different

people. There are also many different kinds of charity programmes. For example, they can be focused on the development of public institutions, in investments in the arts or health care, or in social entrepreneurship. All this together is called charity. However, there are very different philanthropy models, both in terms of management and in terms of how the benefactor engages with the public. So at the Skolkovo Business School, we decided to create a special centre that is set to open later this year. The centre will fulfil a number of functions, such as helping wealthy people to develop strategies for their philanthropy, advising them on how to allocate different sources of money to charity, and teaching managers how to administer funds and involve the benefactor's family members in the process. Our objectives include the creation of a centre that will conduct research in this field, the creation of educational programmes for wealthy people and their families, and the creation of mechanisms through which inheritance money can be given to charity. After all, it is not just about the actions of the philanthropist today, but what he or she wills to charitable foundations.

As we know, there are several mechanisms for donating money to charity. The first is to transfer some funds now. An example of the second is the initiative announced by Bill Gates and Warren Buffett, in which a proportion of their fortune will be bequeathed to charity. There is another model in which people spend all their money during their life, like the famous American woman who gave her entire fortune to the New York Public Library, believing that it was better to do this while she was alive than have a management fund deal with it after her death. Therefore, the mechanisms which people use to donate money to charity are very complicated, diversified, and require a professional approach.

Another topic that requires discussion is the idea that the emotional and personal approach should be replaced by a professional approach which is nevertheless based on moral and ethical principles. In order to increase trust and confidence on the part of benefactors, this professional approach is important, as is the creation of institutions and mechanisms that will help not only the wealthy, but also middle-income people to get involved in these processes. So, particularly in Russia, where there is a low level of trust in institutions, in the system, and in people as a whole, the thinking is that some of the charitable funds do not reach

those in need. Charity plays a vital role (if done right) in helping increase the level of trust of the people who are, for whatever reason, unfortunately in need of help on a daily basis, and the people who want to donate funds, in the institutions that provide this assistance. Government and society must work together, and we need to take a professional approach towards developing this extremely important relationship. This is why, at the beginning of our discussion, I said that it is important to make a clear distinction between philanthropy, sponsorship, and benefaction. We need to fully understand these mechanisms: inheritance earmarked for charity (as in the Bosch family, where 92% of the shares belong to a charitable foundation which receives dividends that are allocated to charitable causes), or the transfer of funds during the lifetime of a benefactor to a professional institute, which allocates them to charitable causes. A very important question is how to do all this professionally and transparently? And the key question is how to increase trust between the various parties involved in the process, to make sure that charity plays an important role in changing the dynamics of society. Thank you.

**M. Elliott:**

We have been joined by our two remaining panellists, Mr. Jürgen Griesbeck and Mr. Aleksei Kudrin. Mr. Oleg Deripaska, with your reputation not just as a global business leader but also as a global philanthropist, how do you see these issues?

**O. Deripaska:**

I agree with what Ruben said. It is also a way to gain the trust of the people. Only when people begin to trust will they get more involved in public life and in tackling the problems that they have the power to solve. Our approach is to do what we can to work in the areas where we have expertise. We are a large group that is well represented in the Russian regions. We have a good understanding of the many regional issues, as well as the challenges faced by the industries in which we work. We are well aware of the problems inherent in educating the next generation of specialists. We are looking for talented people who can contribute

to the ongoing development of the regions where we operate, and to the implementation of the programmes in which we are involved. We support important programmes, such as the programme to boost Russian engineering culture. We started with schools, and for more than seven years, we have been supporting the robotics festival. It is similar to the American FIRST Tech Challenge. This event now attracts tens of thousands of participants. Many people have already shown their worth, becoming talented engineers who have graduated from university and set up their own businesses. We believe that projects such as these are very important, as they bring together the engineering minds of our country. We support continuing education and research programmes not only in traditional production but also the latest high-tech innovations, the lean manufacturing programme, cooperation between Russia and Asia, and attempts to understand the achievements of our culture, all of which make it possible to plan infrastructure development more rationally.

When we got into business, we were graduates of academic institutions, like Ruben who graduated from Moscow State University. But he studied economics, and we studied physics, mathematics, and chemistry. We still see the potential that lies in Russian universities. Of course, on account of the openness of the system, many of our universities can now develop and grow. But there are still some problems, and we are supporting not only applied research and the setting up of new laboratories, but also fundamental research, if we feel that insufficient attention or resources are being paid to a particular subject.

**M. Elliott:**

So, it is about making sure that the next generations of Vardanians and Deripaskas come through the system and continue to revitalize the economy.

**O. Deripaska:**

There are two approaches to communicating: we can sit and hope that someone will do something for us, or we can do it ourselves. We need to mobilize the human resources that we have within our groups and companies, and by this I mean highly motivated and qualified people. I believe that we are not just side-

tracking them from finding solutions to production problems and business challenges, but helping them to find themselves. After all, any intensive business requires seven, eight, twelve or more years. Alexei Kudrin put in 20 years... But in any case, sooner or later, you have to look for something new.

**M. Elliott:**

That is a very interesting point. I will move on to Mr. Aleksei Kudrin. Standing back and looking at the whole of Russian society, which of course has gone through incredible changes in the last ten to twenty years, what role do you see philanthropy, and philanthropic institutions, play as you look at all of Russian society? Are we only talking about a few individuals, or is this increasingly something that is spreading through a much broader middle class?

**A. Kudrin:**

Thank you, I would like to welcome you all.

I quit public service more than 18 months ago, and since then I have dedicated some of my time to raising funds to support education. One of the conclusions that I have come to over the last two or three years, is that the attitude of Russian big business to supporting education, the arts, and health care has changed significantly. I think that a revolution is underway. This is not because we have seen funds double over the last two years (as an example, I am primarily referring to endowment funds). Today, the value of endowment funds in Russia has reached RUB 18 billion. While this is still a small amount compared to the funds of Western countries, I believe that the growth rate is highly impressive. Today, 87 endowment funds have been established in various organizations, with 58 in education and science, 15 in health care and social assistance, 13 in culture and art, and only two in sport. Sport, of course, receives a lot of money from big business, but not through endowments. Finally, we have seen changes in the endowments of the large universities. The European University at St. Petersburg's endowment fund is now the largest in Russia with a value of RUB 1.1 billion. The Moscow State Institute of International Relations (MGIMO) is in second place with a similar sized endowment fund. Finally, big business is now

donating not half a million dollars, not even a million dollars, but tens of millions of dollars, and this is reflected in the figures that I mentioned. Alisher Usmanov, Vladimir Potanin, and Vladimir Yevtushenko are among those who have donated the most to endowment funds. Over the last three or four years, they have donated tens of millions of dollars in support of universities and scientific research. I will use the European University at St. Petersburg as a good example of fundraising. Everything is done by the rule book. For example, they are attending the Forum, and several prominent business leaders will have meetings with them to discuss prospects for cooperation. They take a very professional approach to their sponsors, providing full information, and demonstrating an interest in different targeted studies. The endowment fund encompasses dozens of smaller endowment funds, each one for a specific professor and specific study. As a rule, the interests of the sponsors are respected. For example, the research should be conducted in the areas and regions where the businesses operate. The net result is an increase in scientific knowledge and the further development of education. There are non-university endowment funds too. The largest non-university endowment fund is the Hermitage, at RUB 150 million. The second largest is the Institute of Contemporary Development (INSOR), also at RUB 150 million. INSOR is currently undergoing a period of restructuring and reorganization.

So the mood has changed. I think that we should support this, and I applaud the work that is currently being done at Skolkovo, and the entrepreneurs themselves, including Ruben, who have invested in Skolkovo. A market programme has been launched there to train managers, and this requires considerable resources. I repeat, we need to find ways to raise funds. There are certain laws and regulations that must be followed.

**M. Elliott:**

Jürgen will give us a picture of a philanthropic organization doing good with a very different origin, with a very different reach. Acting globally, starting small and yet having an enormous impact. Tell us a little bit about Street Football World.



**J. Griesbeck:**

Thank you, Michael. I am probably the strange beast here on this panel, as I will be talking about football and how to use football to increase social impact. It is probably not the best description to say that we are a philanthropic organization, but we are sort of establishing a value chain that connects the business and the entertainment side of football with social impact. Across industries, this is a very rare thing.

I have heard my co-panellists here talk about trust. I agree that trust is a very important issue. Ruben talked about it. Oleg talked about the empowerment of leadership, the empowerment of a new generation of change-makers. These are very important elements when it comes to philanthropy. However, I would like to add a third element – as important as the other two – which is purpose.

There needs to be an alignment regarding the purpose of what we do across the different actors in a specific field. This is probably the concept that is least developed of these three. We have things that get in the way when we talk about aligning purpose – egos, brands, organizational boundaries. We do not easily look beyond organizations when it comes to impact. If we talk about poverty and about the big challenges of our time, then we have to. That is the first point.

The second point is that, when talking about philanthropy, we mainly discuss high-net-worth individuals and business entrepreneurs giving back. We should amplify the concept of philanthropy to the crowd. We have crowd-funding approaches that turn the crowd into philanthropists. We have to adjust the spectrum. In terms of the alignment regarding purpose, philanthropy has a huge role to play.

Philanthropists are the ones who are able to take risks, as many other investors or donors or sponsors do not take risks easily. They also tend to forget that, when it comes to innovation, when it comes to taking the next steps to create social changes and social impact, risk has to be taken. Any innovation, even in the business world, is about losing money in the beginning and at the end coming up with a big invention. In the social field, we forget that we have to take risks if we are to have a social impact on a massive scale.

So why football? I will just say a few words about Street Football World, the organization I founded eleven years ago. It goes back to an incident in football. Some of you might remember the FIFA World Cup held in the USA in 1994. The Columbian national team participated in that World Cup. One of the Columbian team players scored an own goal, which is a goal against his own team. After his return to Columbia he was assassinated. That was the reason I started, in 1994, to think about the football industry and about how to translate the values of football and the power football had, and still has, into social impact. Since then, I have been thinking about how to change football and make football contribute to social impact.

When we started, eleven years ago, with Street Football World, we recognized that there were many community-based organizations across the world that were using football to increase their impact in their community. They were working across the spectrum. We were looking at organizations in Cambodia, who were using football as a tool for landmine risk education. We were looking at organizations in London and New York that were using football as a tool to work with homeless people. Or in South Africa, with organizations using football to prevent HIV and AIDS. It is used across the spectrum.

We are talking about vulnerable youth in underserved communities and a tool that attracts their attention, makes them dial up, communicate, changes their behaviour, and empowers them so they can become the leaders of tomorrow. That is the scope and the reach of football; a global language. It is easy to access, and it reaches out to the youth we want to work with. We are talking about the bottom billion youth; we are trying to make them a part of our society. Without them, we will not be able to fight poverty in an efficient way. This is now a network of 100 organizations in 60 countries, reaching out to more or less a million youth.

Football, on the other hand, as a business and football as entertainment has not yet discovered how to efficiently leverage its power in order to systemically facilitate social change. In 2006 we started working with FIFA in order to install a social legacy in the World Cup. We did this in 2010 in South Africa, and now in Brazil. We are also looking forward to thinking about how to work around this

issue in the upcoming World Cups in Russia and Qatar. We are doing the same with the UEFA, focusing on the European championships. I look forward to your questions later on.

**M. Elliott:**

Thank you very much, Jürgen. I am sure our audience here today is an extremely distinguished, an extremely action-oriented and an extremely influential audience. I would like you all to know how important the increasing connection of sport with social change and development issues is.

I am on the board of a little London-based NGO called Beyond Sport, which does a lot of the same sort of activities that Jürgen has been talking about. It is an enormous field in which to leverage the global appeal of football, and all sorts of sports. The aim is to get truly global sporting institutions to be key players in social change and development. This is a very interesting area.

Lenka, you have been listening to these contributions. Your day job involves thinking about what philanthropy is, what philanthropists can do, and how they can do it most effectively. When you look at the position of Russia at the moment, what are the two or three things that cross your mind in terms of what philanthropists should be thinking about?

**L. Setkova:**

Thank you. Before I reply to that, allow me to give you a few words about where I am coming from so that you may understand my perspective.

I have worked in the field of philanthropy and international development for about 18 years now. I have worked with some of the world's largest private foundations, including those set up by Andrew Carnegie, whose name I am sure is very familiar to everyone. Also Charles Stewart Mott, one of the founders of General Motors, and also the Tudor Trust, which is one of the largest UK family foundations. I now work with Coutts, in the Coutts Institute, where we help high-net-worth clients and their families develop strategies for their philanthropy that can make a real difference to the communities and the causes that they care about, whatever and wherever they might be.

We provide advice and we host forums for philanthropists. In December last year, we had our first Women in Philanthropy Forum in Moscow. We also produce practical guides. One of the things I am very excited about this year is that we are going to be producing our first major donor report on major donors in Russia, which is going to be available later this year.

What does the future hold for philanthropy in Russia? It is very much at a turning point. A huge amount of development has taken place in a short space of time, with philanthropy moving centre-stage in many wealthy families. Philanthropists will probably look to sharpen their strategies as they learn from their successes, and perhaps their failures as well. They will start thinking about how to introduce new structures to their philanthropy, whether in strengthening their boards and the governance of their private foundations, establishing endowments, or hiring professional staff. Moreover, as they grow in confidence, they will perhaps be more transparent and more communicative about what it is they are doing, telling their story, why they chose to become a philanthropist and why it is important to them and to society.

One of the things that is going to be very interesting in the coming decades, which relates very much to Next Generation Philanthropists, is how philanthropy is going to be used as a tool in a successful intergenerational transfer of wealth. In the coming decade, there is going to be an unprecedented amount of wealth transferred from one generation to the next. There is research that shows that, quite often, this wealth fails to get to the third generation. The cause of this is not necessarily because these families do not have the best lawyers, the best financial advisors, the best wealth managers. It is because they have failed to prepare their heirs for the responsibilities and opportunities associated with wealth. This usually has to do with communication and trust, and with empowering the next generation with the technical skills to effectively steward the wealth, but also the emotional skills that are necessary as well.

Philanthropy is a key tool in helping improve and enabling the stewardship of wealth over a number of generations. We find that some families that we talk to use the conversation about philanthropy as the first point to introduce the conversation about wealth and the scale of the family wealth to their children. It is

an excellent training ground for the next generation. If one's children are old enough to become, perhaps, trustees of the private family foundation, they learn the skills of governance; they learn the skills of financial planning, decision-making, and conflict resolution. It helps to educate the next generation about the wider world around them. It can give them a real sense of purpose and pride to grow the social capital, which is also a key dimension of a family's wealth. Moreover, it also helps create and strengthen the lasting legacy of a family as well.

I would like to also touch on an issue to do with strengthening philanthropy among the middle classes. One of the things I found very interesting about philanthropy in Russia is the wealth of community foundations. I believe there are now about 40 such community foundations across the country. They are designed to catalyse and grow philanthropy among private business, among wealthy families, and among the local community. They are incredibly important because, for most of us, philanthropy starts with the local communities that we care about: it could be where we live, where we work, or where we originated from. These are very important mechanisms through which philanthropy, among people of all means, can be developed.

What is also very exciting is when philanthropists make it their mission to generate and grow philanthropy. They support the causes and issues that they care about, but they also create new vehicles and innovate so that more people give, whether that be through web-based tools or through matching incentives to encourage local people to give.

**M. Elliott:**

Seeing as you introduced the phrase 'the wider world' into the conversation, let me pick up on that and ask Oleg and Ruben and Aleksei this question. As Russian philanthropy has developed in the last 10 to 15 years, has it mainly been locally focused, Russia-focused? Do you see it developing a global reach as well? I am connecting with Jürgen's points there. Is that something that you would expect to see happen?

**O. Deripaska:**

There are many problems in Russia. And we owe so much to our country that, for the time being, we are focusing on Russia. We had great expectations, twenty years ago, about how quickly we could improve the situation here and we need to keep that momentum going.

**R. Vardanian:**

I took a slightly different approach. From the outset, I believed that socially oriented projects were a great platform for bringing people together. One of the problems Russians have is that we are not well known, we are not trusted, and people around the world are afraid of us. One of the reasons for this is that we did not study with them in the same universities, and we were not members of the same clubs. When commercial negotiations are conducted, and commercial interests are calling the shots, it takes time to establish trust. Socially oriented projects are a great platform for building ties, for wider communication and relations. A very good example of this is the Skolkovo Business School, a project that involved not only Russians, but also many foreigners, and during that project they learned to better understand life in Russia and the mindset of Russians.

I have been actively involved in various projects both in Russia and abroad. We are focusing on three areas: support to charitable foundations (for example, the Gift of Life), the creation of a charitable industry for the middle class, and large one-off projects. As for overseas projects, I am involved in projects in my home country of Armenia, as well as in England and in America. It is very important that we understand that not all of these projects are about the people who are in need right now. For example, education is all about the future. The arts and the development of science are also very important elements that will shape our future, but they are very different from a child who needs help now. There are projects in different fields with varying budgets and importance.

I have personally got involved in these projects in order to learn new things. I have learned a lot through taking part in various global projects that have been in existence for decades now. These projects are managed very well, yet professionalism and efficiency are not easy things to achieve. After all, in the last

12 years, we have mainly responded to one-off events. After the hostage crisis in Beslan and the flooding in Krymsk, a large amount of money was donated, and this money did reach those who needed it the most. These events were followed by a large emotional outburst. If you have a lot of money you can donate funds from your own foundations. But these mechanisms require a professional approach, which would make it possible for the middle class to donate money on a regular basis and feel confident that this money will reach the people who need it. This is not easy by any means. Over the past 12 years, this professional approach has just begun to take shape. We are supporting seven charitable foundations in Russia, including Konstantin Khabensky's charitable foundation and Gift of Life, and we have seen how difficult it is to build a professional system. Therefore, it is vital that we learn how things are done throughout the world. I think that this process of integration is a really good thing. Through foundations such as these and others, Russians are involved in projects in England, America, and other countries in Europe and Asia. I cannot see anything wrong with that at all. Although it is fair to say that Russia is in greater need than these countries, among other things these projects enable us to make new connections. So part of it is about promoting our reputation and image. It is the right way to develop trust and cooperation between the global elite.

**A. Kudrin:**

One of the important motivations for Russian philanthropists is the opportunity to promote their own business. One way or another, this is the primary motivation. It is also important to invest in the communities where their staff work, and as a general rule, funds are primarily spent on schools, hospitals, clinics, and other social facilities in areas of interest to the company. As Russian businesses are now operating in the CIS and other countries – even in India – I am sure that entrepreneurs will invest in the communities they work in. It is a good thing that this has now become standard practice for civilized Russian business leaders. Therefore, I am absolutely confident that this is a sustainable trend, and that it is now a sign of good business ethics.

The second thing I would like to point out is that every Russian citizen born in the Soviet Union has some complexes and dreams: to create or join an international club, become familiar with the best achievements, the best practices, to create the best laboratory in the country or even the world in a particular field, or to fund an innovative project. I am familiar with such projects. As a rule, they immediately become international, because they attract Western experts, professors, and scientists. I know of a few examples of such projects in Moscow and St. Petersburg.

The next thing: I have to say that business has finally started to think about the development of civil society. The middle class has woken up to the idea of financing projects related to civic initiatives and the development of civil society, to reforms, to the development of standards, including in the regions where they work. Standards of openness, and accountability of local government. I can feel that this is happening. This is something that is close to my heart. I have created my own foundation. It is called the Kudrin Foundation and was set up to support civic initiatives. So far, I am still raising more money for other foundations, but this foundation is beginning to be built up. We give grants, because today there is a lack of support for such initiatives (in different fields, including social ecology, volunteering, and openness and transparency). The initiators have developed a lot of sites that now need support. They need investment, but we are talking small amounts of money.

Our colleagues and business leaders differ from those of other countries in the sense that they always want to see a concrete outcome. They have all achieved results in their own lives and now they do not expect to just donate money, but also to see a concrete outcome. Because we are focused on seeing concrete outcomes, an important part of fundraising is to demonstrate the results achieved.

Finally, according to a survey by the Public Opinion Foundation, half of Russians donate to charitable causes, including giving money to beggars, so at least some of us, somewhere, are giving someone some money. This can also be seen in the attitude of Russians. Russians are good people, compassionate, very charitable, even in comparison with other nationalities. I have here the results of



such surveys in the UK confirming this. So I think that in Russia, charity is set to thrive.

**J. Griesbeck:**

I just wanted to add that I agree with Oleg saying that a philanthropist or a philanthropic organization has to focus on what they do, but I also support what Aleksei and Ruben said: it is very hard to not make it international. Everything is interconnected. You need to be interconnected in our case even on an international level. It is very hard to keep it national or local.

From my own experience, I am a witness of how much impact it has if you have the opportunity to meet and develop and exchange information together with others. In terms of the investment, it is a given that Russian business is investing abroad; we all know that. In football they do that as well. Many clubs are owned by Russians. It is not yet discovered by this group of investors that philanthropy with the purpose of social impact is actually a business asset. The talk, at least in football, is about charities, is about giving back, about 'sharing what I have too much of'. That, however, is not embedding the purpose of social impact in one's professional life and in one's business, which is a big difference.

**M. Elliott:**

Thank you. As you look at new philanthropic entities emerging from, particularly, the rising economies that have been developing in the last 20 years, do they all start locally and go global? What is the story?

**L. Setkova:**

Quite often they do start local. We have found that with our clients, wherever they are in the world. Part of that reason is that it is about starting their journey in philanthropy by supporting local initiatives. By local I do not necessarily mean where they live or work; it could be local to where they originated, or a region that they are very familiar with. It is a very useful way of understanding and learning about what NGOs do. It makes it very easy for the philanthropist to see the kind of difference they are making. Over time, they might have the confidence to really

understand what they can achieve with their philanthropy and perhaps start looking further afield. However, starting local is a very good way for philanthropists to start.

**M. Elliott:**

You said something there that I would like to come back to, but I do not want to monopolize the conversation. If there are no questions or comments, I will come right back to you. Any questions from the floor? The gentleman in the front row.

**A. Sosnov:**

Arkady Sosnov, editor of the anthology *Russian Philanthropist*. One of the strange things that is happening currently in Russia is the failure to adopt the law on supporting philanthropists. From what Ruben said at the beginning, it is completely clear to me that we need such a law, as our society still does not understand who philanthropists, sponsors, and benefactors are and what they do. Russian society dictates that for people to understand that philanthropy is a force for good, we need it to be put down on paper in black and white. Even if it is just a declaration and the law contains no economic incentives. In February, the high profile figure Joseph Kobzon, who helped draft the law, told me that it was sure to be adopted that month. In April, the Chairman of the State Duma himself declared that the law would be adopted that month. It is a mystery: the law has not been adopted. I suspect that behind all of this are the economic interests of the Government, which does not want the public purse to be impacted in any way by this. But we are not talking about the public purse losing money which is donated to charity. We are talking about a certain share of this money, about some kind of small tax incentive, and this brings me to my question. My question is to Alexei as a financier: can we find an optimal point, which encourages wealthy individuals and companies to donate for the benefit of the whole country: society, arts, education, and health care?

**A. Kudrin:**

Of course, any law should be less a declaration and more a legal norm. Somehow we have become accustomed to bad laws, which involve a lot of declarations. But in general, a law should include only legal norms. I think that this law may still be in the process of revision. With regards to tax breaks for philanthropists, according to the Tax Code of the Russian Federation, all tax rules must be prescribed exclusively within the Tax Code. This means that they cannot be prescribed in a law on philanthropy. Such norms cannot be prescribed in such a law. They should be adopted as amendments to the Tax Code. The Tax Code contains an item on tax exemptions for specific charitable donations. Donations reduce your taxable income, and so depending on the size of the donations, your taxable income can be reduced by 20%. You reduce your taxable income by about 20% of the value of the donation. This is not always enough for philanthropists, but regardless of the rule the most daring and conscientious still donate to charity. We are talking about slightly increasing the tax incentives for charitable donations, and expanding such instruments and benefits. I believe that this is possible, that we should work on this, and that the public purse will not incur many losses if we gradually move forward in this direction. But we must just make sure that this does not turn into a way to avoid paying taxes. In fact, large foundations such as the Ford Foundation were created to evade tax. Things have changed considerably since then. The West has also corrected this practice. However, even now, some people donate to foundations in order to reduce their tax burden. We always need to find the middle ground, to avoid such extremes, and, of course, to keep moving forward.

**R. Vardanian:**

I believe that, for now, we should not adopt the law on tax incentives. I believe that the problems of the 1990s are still too fresh in our memories, when huge numbers of unscrupulous people used charitable foundations in Russia as a means to transfer public money into their own pockets. There were too many murders and other such things related to these foundations. We certainly need to define who is who, but this is not related to legislation. It is just that the public

need to be given a clear explanation of the difference between the functions of philanthropists, sponsors, benefactors, and social entrepreneurs.

Secondly it is very important that we create successful examples of philanthropy in action, which will leave no doubt that the entrepreneurs involved were not motivated by the lure of tax incentives. Only then can we raise the question of this law, because as I see things, it would be risky to adopt it now. There is the risk that trust will be eroded. Just one or two more unsavoury stories would be dangerous for Russia, which unfortunately has had a very difficult past in this respect. I am in favour of postponing the adoption of the law. If adopted now, it would be purely declarative and imprecise. Our society is not yet ready to ensure that the required legislation is adopted in a professional manner.

**M. Elliott:**

Would you like to answer that?

**J. Griesbeck:**

I am definitely not an expert on the situation here in Russia, but philanthropy does not suffer from a lack of money. There is enough money out there. If it is properly incentivized, the conversation here is the same as we would have in Germany or in the US. It is about tax incentives, or legislation, that would allow philanthropy to flourish.

Decisions should obviously take into consideration the national culture, as we have heard. However, there is money out there that does not find the right investments. There is a disconnect between the solutions and the investments. I am often worried when philanthropists try to fund their own solutions, or their own ideas, or their own new things when there are already many solutions out there, by social entrepreneurs or social enterprises, which are ready to scale and globalize, but do not find investments. There is a disconnect between the money and the solutions.

**A. Berkowitz:**

I am Rabbi Avraham Berkowitz from New York. My question is to Mr. Deripaska. You are one of the most philanthropic men in Russia, and you speak about building trust. You have gained that trust and are giving back to your people. But what about the most pressing problems of the world? If you are not giving even 1%, 2%, or 5%, how can Michael Elliott feed the people who do not have any food, over a billion people in the world? You are right. The poor people of your community come first. But if you took 5% and invested it with someone like Michael, think about the global trust that you would build, where people would come back and partner with you in Russia. At what point do you start saying, “95% for Russia, 5% for the world”, and then the world will come back and give you ten times more for your projects in Russia?

**M. Elliott:**

I should say that although Rabbi Berkowitz and I are good friends, I did not put him up to say that.

**O. Deripaska:**

I do not mind what you said. However, the issue is that when you travel in Russia – and I travel almost every other day – it is then that you meet people. We do not only discuss business; we also meet people. These people have requests. There are many people now who want to participate in social activities. We cannot separate Russian philanthropy from our culture.

We have a Russian Orthodox, Jewish, and Islamic culture. All of this is very interconnected and goes deep. It is inside our culture. It is not something that was developed over the last ten or twenty years. We are listening to what you are saying, and we are trying to help. We are trying to do as much as we can. We are trying to engage our people, who work in our companies, to be active. We may go outside, but for people like me, we will predominantly be focusing on Russian issues.

We will try to use the experience that has been developed all around the world; we are using experts; we are trying to understand what the best way is. For example, we met a man, and his dream was to import this personal computer

costing little more than USD 100. We gave around 70,000 of these computers to Russian schools. And it is working. We can see people who started seven years ago and are now developing new skills and new opportunities in tiny villages and towns.

**M. Elliott:**

Very good. Thank you. You said something a few minutes ago that I did not want to lose. You talk about philanthropy's impact. One of the things that seems to me to be a very important development over the past few years is an emphasis on the measurability of results. This is often associated with the Bill and Melinda Gates Foundation but, of course, not exclusively with them. Could you talk about that?

**L. Setkova:**

There has definitely been a huge amount of investment in this in the last few years, not only on the part of philanthropic organizations themselves, but also a number of NGOs have been established which exist just to help NGOs track and communicate the results of their work.

I do think it is incredibly important. However, at the same time, it is also important to remember that creating lasting social change takes patience and persistence. People are looking to try to measure results, and to measure something that is very immediate. Yes, there are some activities where you can see immediate results. But it is also very important to try and think long-term and identify different milestones across the journey; where you might measure some indicators that you are getting against the long-term and the sustainable outcome that you want.

The other thing that is a real luxury that philanthropists have, which is also key on the measuring of results, is going on site visits and meeting with the organizations that they are supporting, getting to know the leadership team, getting to know the governance of the organization. That way, they can really back leaders and individuals who they really believe are going to make that change. It is important to have that channel of communication, so that measuring

results is not just confined to numbers on a piece of paper, but is about storytelling as well, and the relationships.

**M. Elliott:**

Ruben, would you like to weigh in on this?

**R. Vardanian:**

I think that this is a very important topic because we are constantly talking about how the charity industry is undergoing rapid transformation, how attitudes towards it are changing, and how the professionalization of the charity industry is vital for our continued success in Russia and around the world. I think we should measure success according to different criteria. The first measure of success is funds raised, and how much money is spent to raise one dollar. This is a key measure that is highly accurate. If you were to spend 90 cents on an event, and receive a dollar, then this would be a very inefficient way to raise money. This, unfortunately, is very often the case both in Russia and abroad. I am often invited to events, and I am well aware that the money raised is often no greater than the cost of holding the event itself. This is one measure of success.

The second measure of success is related to the objectives of the charitable work you are engaged in. This can be difficult to measure, as it can be expressed quantitatively in, for example, the number of children cured, or qualitatively in terms of some specific changes that we see in society as a result of the charity work. For example, we currently have a big project in Dilijan, Armenia, where we are establishing an international school. We will measure the success of the school not only by how many children proceed to enter universities around the world, but also, for example, how it will transform the city where it is located, what improvements will be made to infrastructure as a whole, and how attitudes towards Armenia will shift (children from 60 different countries will study at the school). Therefore, the measure of success of this project is based not only on how many children will enter university, but on an array of other things related to it. This is a serious challenge, and this is why philanthropy requires a

professional attitude. There are some other measures of success that can quickly help us to see the impact of a charitable project, both positive and negative.

**M. Elliott:**

We have a question from the gentleman in the cream suit.

**M. Morgunov:**

Mikhail Morgunov. On the one hand, I am a publisher, and on the other hand an engineer and physicist. As a publisher, I have a question for Mr. Deripaska, Mr. Kudrin, and Mr. Vardanian. Could you provide assistance to the book publishing business? The problem is that publishers of art books and popular science books are encountering a lot of difficulties. The whole book distribution system is in tatters, and as you know, books are an essential part of our culture. They are also important for our future generations. For example, we now have a book ready for publication about Leonid Yakobson, recognized as an outstanding choreographer by Maya Plisetskaya, Mikhail Baryshnikov, Galina Ulanova, and others. But we cannot find the money to publish this book. Please help us if you can.

**M. Elliott:**

I have a question over here.

**P. Miller:**

I am Paul Miller, and I am an Australian investor here. I was interested in what Jürgen was saying about how there is enough money and the question is about connecting it.

**A. Kudrin:**

This is a very good question. Over the past two years, we have seen the rapid growth of volunteering. This has come about as a result of the situation our society is in and the desire of people to take action and achieve results where the authorities are failing them. Particularly striking examples on everyone's lips are



the floods in Krymsk, and the forest fires, where many people were rescued. I can assure you that there are thousands of such initiatives underway now. My foundation is professionally involved in this issue. In one year, we have established 24 volunteer centres in 24 Russian cities, and have trained the leaders of these centres. Each centre has already attracted up to 300 volunteers who are willing to respond to various initiatives and to provide assistance as is needed in different situations, be it medical, legal, or information support. Nowadays, a lot of people are asking questions about public utilities. They come to us in search of justice. We are training people to give advice on citizens' rights. Over the course of a year, we have attracted around 3,000 people to these centres. The centres are either already operating or are just starting up. In some cities, we have agreed to coordinate the work of all the volunteer centres. For example, recently I was in Voronezh, and we held a meeting of the main volunteer centres.

As for legislation, as you know, the Ministry of Emergency Situations has drawn up a draft law. Our foundation reviewed this law and found that, in my opinion, there is too much focus on creating red tape which would hold up initiatives (which are in fact spontaneous). We would have to register everything we do, register every volunteer centre, and assign the status of volunteer to every participant. Religious organizations are very indignant, because they believe that they always provide help, because this is their belief, their faith, and they do not want to have to register at all. And they are not alone. This issue is currently under discussion. There is an attempt to write an amendment to the draft law, and this is now being reviewed by representatives of public organizations.

**M. Elliott:**

I imagine your stuff is almost entirely done by volunteers.

**J. Griesbeck:**

No. Volunteers are very important to the work we do, but the idea is not necessarily to work with the support of people who are not paid for what they do, if they do a professional job.

**M. Elliott:**

Sure.

**J. Griesbeck:**

What we want to do is recognize the work that is being done. I would like to respond to your question. Again, I am not an expert on the situation in Russia, but what I can observe, being a fellow in different global associations of social entrepreneurs and social enterprises, is that there are not many Russians in these groups, if at all. There has to be a disconnect between the national-local and the global. We all agree that there is a lot of talent and a lot of innovation here in Russia. Somehow, though, it does not connect to the global best practice in the field of social impact, social innovations, and social entrepreneurship. I do not know why that is. Even looking only at Street Football World, we are 100 organizations in 60 countries. If we look at Russia and the passion for football in Russia, there has to be a motivation to use this tool for social impact. We do not have any network members in Russia.

**M. Elliott:**

Very interesting. The lady at the back there, please, and then one more question.

**M. Morozova:**

Maria Morozova, Director of the Ladoga Charitable Foundation founded by Gennady and Elena Timchenko. My question is to Mr. Deripaska and Mr. Vardanian as heads of family funds. Tell me please, you are simultaneously the heads of your families and the heads of your businesses. When you plan and identify the core principles of your charitable programmes, do you separate these two functions? Thank you.

**R. Vardanian:**

Yes, of course, although I must say that both my wife and I manage our charitable projects together. We have very clear cut principles by which we

determine what we want to achieve and which projects we select. We approach this work in a very professional manner. The projects that we choose must be visionary, large-scale, and long-term. They must also have multiple effects, and multiple donors, so we involve our friends and colleagues in all of our projects. I am proud that people of different nationalities are involved the Skolkovo Business School, the schools in Dilijan and in Tatev, and other projects. These are not Ruben's or Veronica's projects. These are joint projects. For us it is vital that we involve the local population, and we believe this to be a fundamental criterion.

We always want to adhere to the highest international standards. It is very important to set the bar high, and to work to the highest standards, be it in Russia, or Armenia, or in any other country where we work.

And lastly, a few words about a very important criterion for us, something that we have set ourselves as a goal in all of our projects. Capital investments in charity will never be paid back. Operationally, any one of our projects should become self-supporting and fund itself, so that we do not have to depend on further charitable donations. We believe that it is crucial that we develop our projects in such a way that they can exist regardless of whether Ruben and Veronica choose to continue to support them or not. This is very important for us. This allows us to say no or yes to the projects that we select. We view charity as a business in the sense that we always try to be professional in determining the criteria for measuring success, including through the mechanism which I forgot to mention, and that is how many donors come back and donate money to us for new projects. I think that this is the best measure of success. How many donors come back to you, and how many of them believe that your work was successful and donate money again. This is the best way of voting. Voting with money.

**O. Deripaska:**

You know how things are. There are a lot of relatives, and they are all very active. Each of them has his or her own life. Of course, they have a lot of ideas, and we can help them to realize their ideas. At the same time, there are broader programmes, which Ruben has mentioned, which require more long-term

planning and a systemic approach. Of course, this is a dividing line. It seems to me that this is, again, a part of our culture. We are inseparable from the loved ones with whom we live, communicate, and grew up with. We have no such boundaries that require institutionalization, as in the West for example. We must put these advantages to practical use and try to help anyone who wants to do something. This applies to both volunteers and people who are active in society.

**L. Setkova:**

That is a very interesting question. We find that, when we talk to our clients, they do both. What is really important about doing philanthropy for your families is that it is about family values. When I think back on how I got involved in this space, it was first and foremost because of the family values I was brought up with. They are both complementary, but the family values dimension is really important when it comes to wealthy families conducting their philanthropy. That is a real benefit for them.

**M. Elliott:**

Let us take two more questions, and that will be all.

**From the floor:**

My name is Polina, and I am involved in the art business. I am a representative of the art community. Ruben mentioned that this society is not yet ready for the philanthropy law. Basically, helping others is the conversation. The request by the man in the suit gives me the idea that organizations seeking help do not know how to ask for it. Who do you think should be responsible for educating the other side, meaning the organizations that are seeking that help?

**M. Elliott:**

That is a really terrific question. We will get to it in a second. The lady in the back, please, your question.

**N. Poppel:**

Natalia Poppel from Severstal. I am head of the Corporate Social Responsibility Department at Severstal and I coordinate the company's charity work. My question is this: huge charitable investments are in fact made, but in our country they are huge investments made by big business. We have an enormous untapped resource, and that is the potential for society at large to become engaged in charitable activities. We are trying to make all of our social investments in conjunction with government and the public, but we suffer from the problem of very high social expectations, and a very serious problem of dependency. We are very aware that charity is most effective when implemented through partnerships. Perhaps the gentlemen here, who work to the highest professional standards both in business, and with the public, have some ideas about how we can make charity and philanthropy in our country commonplace? That is my question.

**M. Elliott:**

Two questions, then. How do you scale it? And, how do you advise the other side? Lenka, I would like you to respond to this. Ruben, could you respond to the other one? Lenka first, please.

**L. Setkova:**

How do you help people ask for help? That is a very interesting question. In the UK, we have hundreds of professional fundraisers who are very good at asking for money; they receive training. There is an institute for fundraising that trains people on how to go about raising money, whether it be from ordinary people who might be giving GBP 2 a month to charity, to people who are working with high-net-worth individuals. Building that capability is very important and maybe something that a philanthropist here might be interested in. It is part of building that infrastructure to grow, strengthen, and develop philanthropy.

Another part of it is making sure that the NGOs are good at their storytelling; that they are good at sending out those messages about what it is that they are doing, why they are doing it, and what some examples are of where they have succeeded. It is those stories that will inspire people to give.

**M. Elliott:**

Yes, absolutely. Jürgen, very quickly, and then Ruben.

**J. Griesbeck:**

I completely disagree. I agree that it is necessary for organizations to get to the money they need in order to achieve the impact they want. However, as I am listening to you, it sounds to me like a business of competition; we definitely have enough NGOs competing for funds.

I would like to suggest grouping NGOs. That is the reason we are working with 100 organizations. In the first five or six years, we had to invest just in trust-building between the NGOs, in order for them to open up their resources – their experience, their sources, their technology, and their assets. That is very important because, if not, we simply replicate the model of competition of the NGO world in the social impact world. That is not the way to go about it. Every philanthropist has his or her preferred projects. I would very much advocate for teamwork across philanthropists and across the NGO world.

**R. Vardanian:**

I apologize for being so active in this discussion, but this is a key issue. What I am trying to do in Russia is create a mechanism for engaging the middle class. We believe that engaging the middle class in charity is key. I will briefly describe what we are trying to do in Russia. We are creating a family of funds, which will raise money from the middle class: USD 2 per month, or USD 100 dollars, or even USD 2,000. Those people will pay a certain portion of their income to the funds every month, and this money will then be sent to organizations that manage certain charitable projects, whether they provide support to homeless old people, stray cats, or the development of social projects. People will have the opportunity to vote with their money once a year. If they do not approve of how their money was spent, they will have the right to recoup the money they paid into these funds. So we will have a mechanism to vote against those who are not implementing their projects effectively. This is a very important mechanism that

will create transparency and force the recipients of funds to provide clear reports on what they are doing with that money. It is a mechanism that will allow people with little money to feel involved on a monthly basis, instead of just making one-off donations. If we manage to implement this in Russia, then we expect that tens of billions of dollars will be raised by such funds. This in itself will bring about a marked shift in attitudes towards charity.

The second thing is the joint corporate projects that we are undertaking within the Troika Dialogue. These were popular too and worked well. For every dollar that employees donate, the company adds two or three dollars of its own. So the company does not decide which projects to support based on what the government is requesting, or because the owner of the company has decided that it is important. The employees themselves vote for the project that they like best. For me it is vital that we involve the employees, and let them help the corporation to select the right projects.

**M. Elliott:**

Thank you very much. I hope you will all agree that it has been an absolutely riveting discussion. I have learned a lot, and I have chaired conferences and sessions on philanthropy, and family philanthropy in particular, in many places in the world. I have been informed; I have been interested; I have learned a lot. Please give our panel a round of applause in a show of appreciation. Thank you. Have a great rest of the day!