

## State of Giving Research in Republic of Latvia.

Latvia, just like the entire post-Soviet space, saw the revival of philanthropic tradition in the early 90s after the fall of the Soviet regime. Most probably, the lack of tradition and, clearly, the small donations from individuals and foundations is the reason why few researchers explore philanthropy in Latvia, because the research object itself – philanthropy – is in its infancy. On average, philanthropy-related articles are published in various popular newspapers<sup>1</sup> and magazines, and they review the history of philanthropy before the First World War and / or the period between wars.<sup>2</sup>

History of philanthropy at the University of Latvia has been studied following the initiative of the University of Latvia Foundation. Latvian entrepreneurs began to build philanthropic tradition in the mid-19<sup>th</sup> century, and it flourished with the establishment of the Latvian state in 1918 and the University of Latvia in 1919.<sup>3</sup> Several articles have focused on the largest University's patrons and donation campaigns both in the interwar period and at the present time.<sup>4</sup> Other subjects of analysis include the Latvian diaspora's contribution to the development of Latvian state and the University of Latvia.<sup>5</sup> Articles dedicated to these topics have been presented in a number of international conferences.

The themes of contemporary philanthropy are touched upon by the researchers who have studied the importance of charity in the framework of a particular charitable organization's initiative or a field research in a European Union-funded project.<sup>6</sup> Philanthropy researchers have obtained higher education in the following specialisations: public policy specialist, historian, economist and cultural worker. Latvia lacks a university-level interdisciplinary study programme dedicated to NGO work and philanthropy issues. It presents an obstacle to researchers in carrying out their research in compliance with the world's best traditions of philanthropy research methods, because this approach is not systematically applied in Latvia. Latvian researchers learn these

---

<sup>1</sup> Kundzina – Zvejniece, L. (2012), Evolution of philanthropy. Latvia case. Internet Journal “Satori”.

URL:[http://satori.lv/raksts/5040/Laila\\_Kundzina-Zvejniece/Filantropijas\\_evolocija](http://satori.lv/raksts/5040/Laila_Kundzina-Zvejniece/Filantropijas_evolocija)

<sup>2</sup> Treijs, R. (1995), Mecenāts. Newspaper Lauku Avīze, Riga.

<sup>3</sup> Kundzina – Zvejniece, L. (2010), The biggest philanthropists of the University of Latvia International Scientific Conference “XX SCIENTIFIC READINGS”. University of Daugavpils: Daugavpils. URL:

[http://www.fonds.lv/fileadmin/user\\_upload/lu\\_portal/projekti/lu\\_fonds/Absolventiem/FAQ/2010\\_Dizmecenatu\\_devums\\_LU.pdf](http://www.fonds.lv/fileadmin/user_upload/lu_portal/projekti/lu_fonds/Absolventiem/FAQ/2010_Dizmecenatu_devums_LU.pdf)

<sup>4</sup> Kundzina – Zvejniece, L. (2014), Tradition of philanthropy in interwar period and nowadays. Case study of the University of Latvia. 17th International Scientific Conference Society and Culture: Local and Global. University of Liepaja: Liepaja.

<sup>5</sup> Kundzina – Zvejniece, L. (2012), The University of Latvia and its historical and current links with the U.S.. Latvia and the United States: a new chapter in the partnership. Centre for East European Policy Studies: Riga. URL: [http://www.appc.lv/wp-content/uploads/2012/04/Latvia\\_USA\\_2012.pdf](http://www.appc.lv/wp-content/uploads/2012/04/Latvia_USA_2012.pdf)

<sup>6</sup> Research project. (1999), Corporate philanthropy. Baltic Data Centre: Riga. URL: <http://providus.lv/article/korporativa-filantropija>

techniques on a case-by-case basis, when participating in international conferences or in joint research projects with researchers from other countries. In the absence of the programme, whose subject would be NGO and philanthropy issues, the students' interest in these topics is quite low. Students and young researchers learn NGO work principles and philanthropy matters on the principle of "learning by doing". The organisations providing relevant experience include students' self-governments, various forms of youth NGOs, where students and young researchers work on a voluntary basis. It is a good practice that gives at least a certain perception of NGO activities and the role of philanthropy therein.

Establishment, operation and liquidation of all associations and foundations in the Republic of Latvia is regulated by the Associations and Foundations Law.<sup>7</sup> Public Benefit Organisation Law,<sup>8</sup> in turn, provides that associations and foundations receiving donations must submit an annual report for the previous calendar year according to a sample report form. The most important information contained by these reports includes the total of received and spent donations, as well as the amount of donations spent for public benefit activities and administrative expenditure. It should be noted that the law provides – public benefit organisations in their administrative expenses may not exceed 25% of general donations used in the relevant taxation period (calendar year). I believe that this provision of the law is one-sided and fails to take into account the administrative work required to attract donations besides administering the already received donations. Attraction of donations is just as extensive and resource-consuming work as administering the use of donations.

Donating to organizations with public benefit status enables companies and individuals to receive tax rebates. The Law On Enterprise Income Tax<sup>9</sup> stipulates that the companies receive 85% tax reduction of the amounts donated, with an indication that the total tax reduction may not exceed 20% of the total amount of tax. On the other hand, natural persons donating to the public benefit organisations may receive 20 to 25% income tax deduction in accordance with the Law On Personal Income Tax.<sup>10</sup> Donors – both natural persons and enterprises – can receive the tax rebates only when giving to a foundation or association that has been granted a public benefit status, which is once a year reviewed by Public Benefit Commission. If these stipulations are not complied with, the State Revenue Service can impose penalties on the donor for tax evasion. To prevent it, the State Revenue Service website contains the list of all the associations and foundations, who have submitted their documents to receive the public benefit status since 2005, when

---

<sup>7</sup> <http://likumi.lv/doc.php?id=81050>

<sup>8</sup> <http://likumi.lv/doc.php?id=90822>

<sup>9</sup> <http://likumi.lv/doc.php?id=34094>

<sup>10</sup> <http://likumi.lv/doc.php?id=56880>

this provision of the law came into force.<sup>11</sup> The file of each organization contains freely available information about when it was granted the status, whether it is currently active or not valid anymore, or if the organization has already been liquidated. The entry of each organization also indicates, in which of the nine specific public benefit fields the organization has been granted its public benefit status. The submitted activity reports and future action plans within the calendar year are also available.

Table 1. Public benefit organisations in 2013.

<b>Field of activity</b>	<b>Number of associations and foundations working in the respective field</b>	<b>The number of these organisations whose public benefit status has been revoked or which have been liquidated</b>	<b>% of the total number of organisations in the respective field</b>
Protection of human rights and individual rights	154	33	21.43
Promotion of education	398	71	17.83
Promotion of culture	703	119	16.93
Charity	1064	207	19.45
Provision of aid in case of disasters and emergency situations	32	7	21.88
Development of civic society	893	110	12.32
Raising of social welfare of the public, especially for the groups of persons in need and socially low-protected persons	592	122	20.61
Disease prevention	21	2	9.52
Supporting of sports	1050	175	16.67
Promotion of health	151	28	18.54
Environmental protection	149	16	10.74
Promotion of science	89	12	13.48

<sup>11</sup> [https://www6.vid.gov.lv/VID\\_PDB/SLO](https://www6.vid.gov.lv/VID_PDB/SLO)

The table shows the information about the public benefit fields, in which operate 1 712 organisations. In their statutes and also in the register organizations can identify several objectives which they aim to achieve, but they must contain at least one of the above. Clearly, the leaders in numbers are the organizations engaged in charity, sports and civic society development. Unfortunately, the education and science is promoted by significantly fewer organizations. I would explain this tendency with a consideration that the people giving a donation want to see, feel, hear instant results. For example, a patient recovered or an animal shelter renovated with the help of donors. On the other hand, the donation to education and science is a donation for the future, which cannot be precisely forecast and its results mostly become visible only in the long run.

In turn, the organizations, which have lost their status or have been liquidated in 2013 are those working in the following fields of activity: provision of aid in case of disasters and emergency situations; protection of human rights and individual rights; raising of social welfare of the public, especially for the groups of persons in need and socially low-protected persons.

According to the table, the public benefit status in Latvia can be given in nine areas. The following areas overlap with the classification of public benefit activity fields provided by *The European Research Network on Philanthropy (ERNOP)*: education, health, culture, environment and social welfare. Religion and international assistance included by ERNOP are missing in Latvia.

Why are these two fields absent from the public benefit list in Latvia?

Religion is not included, because the Ministry of Finance Public Benefit Status Commission members representing the Ministry of Finance do not believe that religious organizations can have the status of public good. Possibly, it is a legacy of the Soviet era, since after the Second World War until the early 90s of the 20<sup>th</sup> century, belonging to a religious group was not acceptable from the official position of power. The holidays, such as the summer solstice celebration, as well as the Christmas celebration were dismissed and not celebrated as official national holidays. The 50 years of the Soviet era values still affect today's decision-makers in the corridors of power, because most of the decision makers have been born and bred in the Soviet era.

The number of international cooperation projects funded from Latvia is quite small. One of the most visible is *Boris and Ināra Teterev Foundation*<sup>12</sup> initiative in Africa and Thailand. Before joining the European Union, Latvia itself was in the list of countries that requested and received assistance from different countries. Apparently, Latvia has not yet

---

<sup>12</sup> <http://www.teterevufonds.lv/musu-darbi/?c=4>

freed itself from the reflex of recipient, although *de jure* 12 years have passed since we have entered the European Union.

Individual donations responding to various charitable campaigns are popular, either via donation telephone call or at supermarket cash registers, where special donation boxes are placed.<sup>13</sup> The statistics characterising these donations are not collected, data about specific campaign's results can be found if the organization itself decides to publish it. The situation is similar regarding the testamentary legacies. Mostly the testamentary bequests come from Latvian diaspora representatives who emigrated from Latvia at the end of the Second World War and scattered all over the world. These are the donors who understand the importance of philanthropy. There are some who in their own youth have received scholarships donated by patrons.

Data collection is a sensitive issue in the environment of Latvian associations and foundations, because sometimes the donor and his or her family prefer confidentiality. It is not always the case, but that is a common trend. A completely different approach is that of entrepreneurs. The fact that a company has donated is usually accompanied by publicity in mass media. State Revenue Service classifies this publicity as advertising. If the donation's publicity is classified as advertising, the companies can lose their tax rebates. The University of Latvia Foundation, for example, has received a written warning from the State Revenue Service for publishing the logos of corporate donors on the University of Latvia Foundation's website. After this warning, logos have been removed and only the company names are left.

There are extremely few foundations created by individuals. At the moment, the largest include *Boris and Ināra Teterev Foundation*, Peter Aven Fund "*Generation*", a Foundation established by *Valeri Belokon*, *Vītols* Fund and *Koknese* Fund.

Various other funds have been established and receive financing from the state and local government budget. These have specific objectives, such as the Environmental Protection Fund of Latvia,<sup>14</sup> which is focused on environmental issues. This fund accepts project proposals both from local governments and public organizations. There are public organizations that focus on certain specific European Union grants. These organizations cannot be considered as cultivating philanthropy tradition in Latvia.

The tradition to channel a certain proportion of lottery income to charity is absent in Latvia. There have been attempts to establish it, but this donation method has not taken root.

---

<sup>13</sup> <http://www.lbf.lv/lang/lv/akcijas/>

<sup>14</sup> <http://www.lvafa.gov.lv/>

The wealthy Latvian state joint-stock company funds are allotted to cultural, sports and educational projects, either managed by the companies themselves as separate projects or entering into contractual relations with cultural, sports and charitable organizations that organise open tenders to beneficiaries.<sup>15</sup> According to the classical understanding, these funds cannot be called philanthropic foundations, even though they are essentially formed on the basis of taxpayers' money or the profit from economic activities with property belonging to the state, thereby the civic participation in making decisions regarding the amount of donations and their objectives has been placed in the hands of civil servants.

According to the data of Republic of Latvia Ministry of Finance, on December 31, 2013, 1 712 Latvian associations and foundations with public benefit status had received in donations 24 929 048 euro in 2013.<sup>16</sup>

It should be noted that there are foundations and associations, whose applications for the status of public benefit organization have been declined or they have not applied to receive this status at all, because these organisations do not require it. Therefore, I estimate that the total amount of received donations in 2013 would be around 28 to 30 million euro.

I believe that in 26 years of its independence Latvia has achieved very good results in renewal and continuation of philanthropic tradition, but I am aware that compared to the "old Europe" we still have a long way ahead of us.

What should be the tasks on the agenda of Latvia?

The independence of non-governmental organizations from the European Union, state and municipal funds must be promoted – it would increase the viability and sustainability of these organizations on the basis of fellow citizens' donations or they would become bankrupt. Latvian society should be encouraged to donate for patriotic, educational and cultural purposes, thus strengthening its civic responsibility for Latvia's future. The millionaires that made their fortune in 1990s, in the early days of Latvia's renewed independence, should change their predominant attitude towards philanthropy and become more actively involved in educational and cultural projects, supporting unselfish goals. Latvia's associations and foundations should demonstrate their achievements more actively, maintain transparency in decision-making, management and use of the donated money.

---

<sup>15</sup> <http://www.lvm.lv/par-mums/sociala-atbildiba/ziedojumi>

<sup>16</sup> [https://www6.vid.gov.lv/VID\\_PDB/SLO](https://www6.vid.gov.lv/VID_PDB/SLO)

## References:

Kundzina – Zvejniece, L. (2012), Evolution of philanthropy. Latvia case. Internet Journal “Satori”.

URL:[http://satori.lv/raksts/5040/Laila\\_Kundzina-Zvejniece/Filantropijas\\_evolocija](http://satori.lv/raksts/5040/Laila_Kundzina-Zvejniece/Filantropijas_evolocija)

Kundzina – Zvejniece, L. (2010), The biggest philanthropists of the University of Latvia *International Scientific Conference “XX SCIENTIFIC READINGS”*. University of Daugavpils: Daugavpils. URL:

[http://www.fonds.lv/fileadmin/user\\_upload/lu\\_portal/projekti/lu\\_fonds/Absolventiem/FAQ/2010\\_Dizmecenatu\\_devums\\_LU.pdf](http://www.fonds.lv/fileadmin/user_upload/lu_portal/projekti/lu_fonds/Absolventiem/FAQ/2010_Dizmecenatu_devums_LU.pdf)

Kundzina – Zvejniece, L. (2012), The University of Latvia and its historical and current links with the U.S.. *Latvia and the United States: a new chapter in the partnership*. Centre for East European Policy Studies: Riga. URL:

[http://www.appc.lv/wp-content/uploads/2012/04/Latvia\\_USA\\_2012.pdf](http://www.appc.lv/wp-content/uploads/2012/04/Latvia_USA_2012.pdf)

Kundzina – Zvejniece, L. (2014), Tradition of philanthropy in interwar period and nowadays. Case study of the University of Latvia. *17<sup>th</sup> International Scientific Conference Society and Culture: Local and Global*. University of Liepaja: Liepaja.

Research project. (1999), Corporate philanthropy. Baltic Data Centre: Riga. URL:

<http://providus.lv/article/korporativa-filantropija>

Treijs, R. (1995), Mecenāts. *Newspaper Lauku Avīze*, Riga.

URL: <http://likumi.lv/doc.php?id=81050>

<http://likumi.lv/doc.php?id=90822>

<http://likumi.lv/doc.php?id=34094>

<http://likumi.lv/doc.php?id=56880>

[https://www6.vid.gov.lv/VID\\_PDB/SLO](https://www6.vid.gov.lv/VID_PDB/SLO)

<http://www.teterevufonds.lv/musu-darbi/?c=4>

<http://www.lbf.lv/lang/lv/akcijas/>

<http://www.lvafa.gov.lv/>

<http://www.lvm.lv/par-mums/sociala-atbildiba/ziedojumi>