

Corporate philanthropy in Latvia

To engage in philanthropy in the Republic of Latvia, one must take into account four legislative acts. The first is the "Associations and Foundations Law".¹ It defines the procedure for establishing an association, which is a member organization, and a foundation, which is an institution established by one or more individuals or legal persons. The difference is that the members of association may change, join or withdraw from the association. On the other hand, the founders of a foundation will always remain the same. This law also provides for the principles of operation for associations and foundations, their administrative and control functions, as well as the order, in which these entities can be dissolved. In turn, "Public Benefit Organisation Law"² has legislated for the order, in which associations and foundations may obtain the title of public benefit status organization, thus gaining an opportunity to provide tax breaks to their donors. Companies and individuals have differentiated tax rebates. The companies, which donate to a public benefit organisation, according to the law "On Corporate Income Tax"³ are entitled to a tax credit, whereby income tax is reduced by 85% of the donated amount, but the total deduction cannot exceed 20% of the total amount of payable tax. Individuals donating to a public benefit organisation, according to the law "On Personal Income Tax"⁴ before the annual income taxation may claim that the amount of the donation is deducted, however, this amount may not exceed 20% of taxable income of the payer. The tax rebate amounts indicated in this paper are correct at the time of its writing.⁵

Most companies confirm their social responsibility by establishing foundations in accordance with the "Associations and Foundations Law". This approach has several reasons – an opportunity to implement administrative and financial processes as a separate organization: creating reserves; granting financial security, if at some period the company lacks profit. These foundations have separate brands that only remotely remind the society of the company. If the company does not have a sufficiently successful reputation, the foundation created by that company for implementing socially important projects is a big counterweight to the further deterioration of the company's reputation, and might even bring an improvement. Companies institute foundations to demonstrate their well-being to the public, thus encouraging the public to buy the services and products of these companies.

The foundations established by companies are proficient in using new technologies and advanced communication modules in communication with the public, since often for this purpose they use the methods of the company, which are aimed at profit-making, consequently, they have to have a high efficiency coefficient.

¹ "Associations and Foundations Law" in force since April 1, 2004. Available at <http://likumi.lv/doc.php?id=81050> (in English http://www.vvc.gov.lv/advantagecms/LV/tulkojumi/meklet_dokumentus.html?query=Law+on+Associations+and+Foundations&Submit=Mekl%C4%93t&resultsPerPage=10).

² "Public Benefit Organisation Law" in force since October 1, 2004. Available at <http://likumi.lv/doc.php?id=90822> (in English, available at

http://www.vvc.gov.lv/advantagecms/LV/tulkojumi/meklet_dokumentus.html?query=Public+Benefit+Organisations+Law&Submit=Mekl%C4%93t&resultsPerPage=10).

³The law "On Enterprise Income Tax", relevant amendments in force since January 1, 2002. Available at <http://likumi.lv/doc.php?id=34094> (in English, available at

http://www.vvc.gov.lv/advantagecms/LV/tulkojumi/meklet_dokumentus.html?query=Law+On+Enterprise+Income+Tax&Submit=Mekl%C4%93t&resultsPerPage=10).

⁴ The law "On Personal Income Tax", in force since January 1, 1994. Available at <http://likumi.lv/doc.php?id=56880> (in English, available at

http://www.vvc.gov.lv/advantagecms/LV/tulkojumi/meklet_dokumentus.html?query=Law+On+Personal+Income+Tax&Submit=Mekl%C4%93t&resultsPerPage=10).

⁵ October 20, 2016.

The foundation, which has been created by a company, receives the funds for implementing its statutory goals by way of a donation from the company, which has established the respective foundation. This is practiced by all foundations instituted by enterprises. Most of these companies also invite their customers and partners to donate to the foundations established by themselves to support foundations' programmes.

In this case, a foundation operates just like a department in company, which is in charge of corporate philanthropy budget.

There are enterprises that donate funding to their foundations, stipulating that this funding must be deposited as a fixed capital, to ensure that a share of the company's annual profit is diverted to programmes of the foundation. In this case, the company directs a part of its profits for creation of capital and invests it, and the profit margin brought by this endowment is diverted to implementation of charitable programmes.

Below, I shall briefly summarize, in my opinion, the most visible corporate philanthropic foundations in Latvia.

Rietumu Charitable Foundation (Rietumu Labdarības fonds)

Established by Rietumu Bank in 2007. Its goal is to promote philanthropy in Latvia by supporting active social responsibility and public benefit goals. Foundation's priorities encompass support to solution of social problems and development in these main spheres: medicine, children and young people, education and science, art and culture. The Foundation organizes project competitions annually, and the projects that best meet the Foundation's philanthropic aid policy obtain funding. In 2016, Rietumu Charitable Foundation has supported the great diversity of projects: the The State Ltd. "National Rehabilitation Centre "Vaivari"" (NRC "Vaivari") now has a playground for children with functional disorders, and it currently is the only one of its kind in Latvia. The project was started last year, when NRC "Vaivari" Development Foundation launched a fundraising for playground construction. The children's and youth centre "Ziemeļi" has created a bicycle workshop. Rietumu Charitable Foundation in collaboration with "Rīgas meži", Ltd. implemented an improvement project in Mežaparks, which was a succession in a series of previous projects. This time, a new, multi-purpose area was created, with outdoor fitness exercise machines and implements for sports gymnastics. The Foundation supported the VII Salacgriva International Classical Music Festival, with an additional benefit of master classes held by renowned musicians. The Foundation also funded the award received by Latvian National Television and Latvian Radio broadcast "Kilograms kultūras" ("A Kilogram of Culture") – one of the most significant events in the cultural life of Latvia.⁶

ABLV Charitable Foundation (ABLV Charitable Foundation)

ABLV Charitable Foundation was established in 2006 by Ernests Bernis and Oļegs Fiļs, the shareholders of ABLV Bank. The Foundation works as the lead partner of ABLV Bank in the sphere of charity, supporting creative people and outstanding organisations investing effort and knowledge to contribute to formation of united, prosperous and safe society. Since the establishment of the Foundation, it is focussed on the contemporary art, welfare of children and youth, education and civic society. The Foundation is also a co-founder of the future Latvian Museum of Contemporary Art – the project currently in progress. In recent years, the Foundation has supported nearly 270 projects, giving them a co-financing of more than 2.5 million EUR. These projects include child and family support projects – 812 010 EUR; contemporary art projects – 629 065 EUR; education support projects – 229 039 EUR; urban environment development projects – 307 595 EUR, and other projects amounting to 613 051 EUR. ABLV Charitable Foundation in 2015 supported public benefit initiatives, providing over 504 thousand euro to more than 30 organizations to enable their public benefit initiatives. ABLV Charitable Foundation has entered into an agreement with the Republic of Latvia Ministry of Culture for the long-term support to the creators of

⁶ <http://www.rblf.lv/news>

exposition in Latvian pavilion at the Venice Art Biennale. The Protocol of Intent on cooperation provides for co-funding to be granted by the Foundation amounting to 150 000 euro. The allocation will be disbursed in three equal instalments, ensuring the Latvian representation in three successive Venice Art Biennales until 2021. In 2015, ABLV Charitable Foundation implemented its first project in "Urban environment" area. Under the programme "New Riga", which aims to promote the improvement of the Riga city, the Foundation supported a project implemented by "Elizabeth Park House Association" titled "Planting greenery along a state-owned sidewalk by Elizabetes iela 21A, Riga". This project was aimed at enhancement of the welfare and comfort of Elizabetes iela 21A inhabitants and passers-by through creating an attractive and aesthetic environment for living and providing more green space to be enjoyed and accessed in the Riga city centre. Nine Dutch linden trees were planted next to the lime trees already growing in the area. Thus, the project fits well in the urban environment and provides a visually orderly landscape.⁷

At the end of 2015, the ninth Christmas Charity Campaign took place, inviting every member of public wishing to further the objectives of the Foundation to donate. 233 donors responded to that invitation, and the programmes of 2016 were supplemented by 482 534 euro, including: "Let's help to grow!" initiative contributions, where 177 170 euro consisted of 88 585 euro received in donations, which was doubled by the Fund from its own resources; "New Riga" with 290 253 euro; "We will help to hear!" with 5 111 euro and "Support to contemporary art exhibitions" with 10 000 euro.⁸ This fund raising strategy is called "matching fund" by US philanthropic organizations, recognised as praiseworthy and to be promoted.

In 2015, the Foundation has received 119 thousand euro in the total amount of donations and gifts for the general pursuit of Foundation's work without the restrictions on the use, as well as grants and donations amounting to 2.72 million euro to implement specific programmes.

As stated in the Republic of Latvia Ministry of Finance database on the status of public benefit organizations, not a cent was spent by the Foundation for the administrative expenditure in 2015.⁹ This means that the administrative costs possibly were covered by the founder ABLV Bank, employing bank staff as the administration of the Foundation, because the Foundation's website indicates that there are 6 employees in the Foundation.¹⁰

Charitable Foundation "Generation" (Pētera Avena Labdarības fonds "Paudze")

Peter Avens' charity foundation "Generation" was established in May of 2008 by the famous Russian entrepreneur and banker Peter Avens and his wife Jelena Avena.

"My father's ancestors are from Latvia. I feel emotional closeness to this country, therefore I decided to create a charitable foundation here. I very much hope that also the local and well-off people will respond to my call..." – Peter Avens.¹¹

The chosen priorities:

- Support to healthcare of the children;
- Cultural exchange between Latvia and Russia;
- Scholarships and grants in the sphere of science.

The annual budget of the Foundation is approximately 500 000 euro.

Each year, the greatest part of the budget – 100 to 200 thousand euro – is given to the Children's hospital and / or children's departments in other hospitals (for the past three years – to Madona hospital) for purchase of expensive, but much needed equipment. From the moment of initiative's establishment, the Foundation supports the work of medical clownery association "Dr. Klauns", which enable clowns to visit

⁷ <http://www.ablv.org/lv/raksts/1>

⁸ <http://www.ablv.org/lv/raksts/1>

⁹ https://www6.vid.gov.lv/VID_PDB/SLO/File/2015_40008108111.pdf

¹⁰ <http://www.ablv.org/lv/raksts/7>

¹¹ <http://www.generation.lv/lv/fonds/par-fondu>

hospital, helping the small patients to keep their spirits up. 30–40 thousand euro are given to scholarships: the University of Latvia, Riga Stradiņš University (to those studying Paediatrics), Janis Rozentāls Riga Art High School (scholarship of excellence), and the individual ones. During the last three years, Foundation has organised many exhibitions in the museums of Riga and Latvia: Riga porcelain art from the collection of P. Avens, Ceramics of Latvia from the collection of P. Avens, Exhibition of works by A. Dreviņš and N. Udaļcova in cooperation with Tretyakov Gallery. The Foundation has a long-standing cooperation with the National Theatre of Latvia, Gogol Center (Moscow), as well as the stage and film director Kirill Serebrennikov – the Foundation supports the guest performances of both theatres, as well as the productions of the director at the National Theatre of Latvia. A collaboration has begun with Inese Galante Foundation and the festival "Summertime", the Russia tour of youth choir "Balsis" ("Voices") has received support. Among profoundly important projects of the Foundation, the instalment of BabyBox in Madona Hospital and the extensive renovation of St. Thomas church in Jaunpiebalga must be noted.¹²

"4finance Foundation "Good Deeds"" (4finance labdarības fonds)

Corporation "4finance", confirming itself as a socially responsible company, sees the importance of involving the public and investing in society's development. Recognising the priorities, which include development of society, responsible treatment of animals and improved environment, the company has established "4finance Foundation "Good Deeds"". The Foundation supports ideas that make Latvia better, providing financial and volunteer assistance to projects and people's initiatives, which:

- shape a responsible public attitude towards animals;
- promote higher standards of living for public;
- encourage a responsible attitude towards nature;
- give support to talented young people in sport, culture and other fields;
- promote active and healthy lifestyle.

The total amount dedicated to project support in 2016 already has reached 76 511,64 euro.¹³ The project proposals submitted to the Foundation are evaluated by the viewers of the Foundation's website voting for the most attractive projects. Thus, the company that has established the Foundation, in 2016 has attracted almost 30 000 unique webpage viewers that vote for different projects. This is one of the most obvious examples of the company that can quite successfully enhance its reputation in society by establishing its own foundation.

Foundation "For the Support of Science and Education" ("Grindekss" fonds "Zinātnes un izglītības atbalstam")

The pharmacy company JSC "Grindeks" in the spring of 2006 established the Foundation "For the Support of Science and Education". The Foundation's aim is to promote the interest of young people in the sphere, and motivate them to study engineering, natural sciences and pharmacy. The Foundation supports young professionals, awards grants to scientists, educational institutions and teaching staff. During the first five years of its work, the Foundation has awarded grants, scholarships, and has supported a variety of projects promoting education and science, spending more than half a million euro for this purpose.¹⁴

the Foundation "For the Support of Science and Education" has received a public benefit status from the Republic of Latvia Ministry of Finance, consequently, the donor – the pharmaceutical company "Grindekss" can receive tax rebates. The case of this Foundation and cooperation can be seen as a very purposeful raising of the new employees, since support is provided to undergraduate and professional programme students, as well as master and doctoral students who choose the research topics that also form the basis of the company's daily business: pharmaceuticals, biologically active substances, chemical

¹² (Jekaterina Levina, private correspondent)

¹³ <https://labiedarbi.lv/lv/arhivs>

¹⁴ <http://www.grindeksfonds.lv/lv/par-fondu>

engineering, analytical chemistry, microbiology, environmental engineering, environmental protection and expertise.¹⁵ The close contacts between the Foundation and the company are confirmed by the fact that the Foundation is managed by the company's public relations specialist, in this case, administrative costs of the Foundation are covered at the company's expense. The nature of cooperation itself is somewhat ambiguous as to whether the company has usurped the Foundation as its public relations and marketing "agency", gaining both publicity and tax breaks.

Foundation "CEMEX Opportunity Fund" ("CEMEX" iespēju fonds)

"CEMEX Opportunity Fund" was founded in May 2007, following "CEMEX" Ltd. initiative. The Fund aims to provide targeted and public interest-oriented support, to promote improving the local quality of life and environmental conservation in the regions containing "CEMEX" Ltd. structural units, particularly in Saldus and Brocēni counties. The Fund, in accordance with the regulations, allocate funds to non-governmental organizations, religious groups and local authorities, which can submit their proposals to an open project tender competition. Twice a year – in spring and autumn – the Fund announces open calls for proposals in Saldus and Brocēni counties, as well as once a year – in Madona district. Since establishment of the Fund, it has already supported 250 projects in Saldus, Brocēni and Madona areas, aimed at improving and conservation of environment, infrastructure upgrading, preservation of historical heritage, ensuring access to interest education and general education programmes for different target groups of the public. Project Evaluation Commission is composed both of "CEMEX" employees and volunteers, who represent Brocēni, Saldus or Madona areas to ensure the diversity of views and expertise. Project Evaluation Commission is formed to assess the projects to be supported by Fund in accordance with the project competition regulations approved by the Board. The Fund provides support not only in the form of project tenders, but also seeks opportunities to attract donations for significant projects in regions containing the structural units of the company, thus forming a cooperation with both governments and non-governmental sector. For example, donations have been attracted to finance soup kitchen establishment and maintenance in Saldus, which is open since the autumn of 2009, and new donations have been collected to support young Chemistry enthusiasts. In cooperation with Brocēni Secondary School, music and geography classrooms have been renovated and supplies provided, the school now has well-equipped locker rooms at the gym, and a renovated teachers' room, but in 2015 the Fund supported the repair work at the preschool "Varavīksne" sports hall and sports field. European Union funding has also been received to establish a geography hobby club, and provide a support to new programmers' educational activities in Brocēni and Saldus districts. To quote "CEMEX Opportunity Fund" manager Mairita Blūma: "The Fund actively and purposefully participates in the improvement of local community's quality of life by giving citizens an opportunity to implement public benefit projects. So far, the Fund has supported 111 project applicants (both by local authorities and non-governmental organizations), who have implemented 250 various projects. Since the establishment of the Fund, we have invested more than 320 500 euro in development of the local community, thus becoming an important local community partner."¹⁶

This Fund, unlike other foundations, operates in a particular geographic area and supports projects and the people of this area.

"IT Education Foundation" (IT Izglītības fonds)

The most recent of the company-established foundations is the "IT Education Foundation", which has been instituted by the Latvian branch of the company "Accenture". The Foundation aims to promote information technology sphere among pupils as a perspective future career choice, to increase the number of pupils who intensively learn programming in primary and secondary schools, to promote the educational system development and economic processes in the country, establishing the information technology industry as a basis for future economics, as well as materially supporting pupils and students

¹⁵ <http://www.grindeksfonds.lv/lv/par-fondu>

¹⁶ <http://www.cemex.lv/sociala-atbildiba.aspx>

to enable information technology acquisition. The Foundation will help pupils and students learn how to use information technology in their further education and future profession.¹⁷ At present, the Foundation has just launched its active operation and its significant achievements are still in the future.

¹⁷ <https://company.lursoft.lv/en/it-izglitibas-fonds/40008245903>