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Elite Giving in Ukraine: State Relations and Legitimacy

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Since the late 1990’s, wealthy businessmen-politicians in Ukraine have been initiating private philanthropy foundations. This article explores the purposes these giving organizations serve. The empirical basis of the study consists of forty-six original interviews, of which most were with the donors, directors, and project managers of ten selected foundations. Additional interviews with experts and other businessmen-donors and giving organizations provide important viewpoints as well as details on the institutional framework within which the giving organizations exist. The article shows how the institutionalization of elite giving in Ukraine can be interpreted as a mix of compensating for state failure in order to benefit society, a legitimization strategy of the wealthy elite, and an instrument for state actors to influence business.

Keywords: elite giving, foundations, economic and political elites, transition, legitimacy

Introduction

Private philanthropy foundations have been initiated by wealthy businessmen-politicians in Ukraine since the late 1990s. The transition from the Soviet economy entailed radical changes in the ownership of business operations, as well as the provision of welfare services. Ukraine experienced a rise of extremely wealthy businessmen in a system of intertwined relations between business and politics.2 The extant Soviet political elite in the country stayed rather intact, due to

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the persistence of network politics or *patronal politics*. Consequently, the legacy of the Soviet Union maintained a strong hold over the bureaucracy in newly independent Ukraine. Meanwhile, large segments of the public perceived the redistribution of property that took place from the state to certain individuals as illegitimate; this, in turn, increased the likelihood of nationalization and reprivatization. It seems reasonable to understand these giving initiatives as possible attempts to legitimize the wealthy elite’s extraordinary position in society, whether as individuals or as a group.

Philanthropy is beneficial for both donors and recipients, and philanthropic power has never been entirely disconnected from political control, even when the philanthropist has officially abstained from political power. However, theories on the motives behind elite giving are only rarely investigated in an empirically way;

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moreover, most existing studies are conducted in the context of stable democracies. While it is impossible to disentangle any one-dimensional motives in order to explain philanthropy, it is interesting to investigate the nature of specific philanthropic initiatives; this especially concerns foundations that are set up by the political and economic elite in a transforming society. In stable democracies, elites are constrained by institutions; on the other hand, in societies undergoing reform and transformation, where institutions are in flux, elites consequently have broader degrees of choice and action.8 This gives them more room to use giving organizations for political motives.

This paper explores the specific purpose of legitimization behind elite giving. The strategy of legitimization is here understood as image creation through content and exposure. Content is the giving itself as a social responsibility; and exposure makes the socially responsible behaviour visible in public.

The objective is not only to increase our understanding of these initiatives in relation to the founders/donors, but also in relation the state. Since the collapse of the Soviet Union, the provision of social welfare in Ukraine has suffered severely from enormous gaps in the state budget. What is the role of these foundations in relation to the state? Are they compensating for the state’s failure or, rather, maintaining its failure? Do they want to compete with the state and ultimately replace it because it is malfunctioned or because of individual power ambitions? Do they aim to change, compensate, or perhaps compete with the state? To change the state would mean to create platforms that nourish democratic thinking and “open the minds” of the Ukrainian public. Education, empowerment of human rights, and contemporary art could fit into this agenda. However, the organizations behind such initiatives should be independent. Compensation also includes activities that support and complement the welfare state. Competing implies a distrust of the authorities and attempts to create alternative models for welfare programs.

By studying ten important cases of elite giving organizations in one empirical framework and scrutinizing their giving behaviour, we can enhance our understanding of the public and private roles of these private giving organizations. The main source material used is interviews with representatives of giving organizations that were founded or headed at some point in time by politically active figures among Ukraine’s wealthy elite. The majority of the interviews were conducted between 2011 and 2013.

Analytical tool
The analyzed data include the character and public exposure of the gifts, as well as the structure of the organizations and the attitudes of foundation representatives and donors/founders toward the state. Four main aspects – welfare, empowerment, visibility, and structure, with sub-categories – will map the organizations and direct us through the material (see Figure 1 on p. 166).

Character of Gifts: Welfare and Empowerment

We will start with the character of the gift, something that is disentangled into welfare provision and empowerment. First, providing welfare is about targeting immediate needs rather than long-term visions of change. Social welfare entails a sort of de facto empowerment, however, there is a difference between having the ambition to empower citizens on a structural level and bring about change and providing welfare for other reasons. If an initiative seeks to meet immediate needs exclusively, systemic failures are not targeted and thus it is not necessarily a force for change. Examples of welfare provision can be covering surgery costs, organizing summer camps for children, or giving financial support to the elderly or underprivileged families. This phenomenon can be interpreted as a legacy of the Soviet enterprise, which is observed not only as an economic institution but also as the primary unit of Soviet society and the ultimate base of social and political power. Gudeman\(^9\) advances a theory in which commercial and social values are inseparable and institutions exist in a grey zone of “mutuality.” This mutuality can be interpreted as clientelism – a system of asymmetrical interdependency between an authoritative, wealthy patron with high social status and an underprivileged client in a dependency situation, who is willing to become loyal to a patron if the patron somehow supports him. Social welfare, or charity, is not necessarily clientelism but it can be. Welfare provision is here understood as both a reply to instant social requests (“social assistance”) or ad-hoc help to people in need – which is often characterized by selective, non-transparent processes – and support to social policy infrastructure, for example, health-care reform programs. For the state, this is most often a form of compensating. As recipients become dependent on a donor, the strategy can also be interpreted as competing with the state, especially when it is combined with visibility.

Second, giving with empowering motives is understood as support for culture and education, human rights advocacy, grassroots civil society, and projects aimed at democratization. Empowerment is the

\footnotesize{\begin{itemize}
\item WELFARE
  \begin{itemize}
  \item reply to instant social requests
  \item support to social policy infrastructure
  \end{itemize}
\item EMPOWERMENT
  \begin{itemize}
  \item aiming at system change
  \item support to grassroots movements
  \item support of culture and/or education
  \end{itemize}
\item VISIBILITY
  \begin{itemize}
  \item hyper projects
  \item geographical focus
  \item name of the founder ascribed the foundation
  \end{itemize}
\item STRUCTURE & ATTITUDES
  \begin{itemize}
  \item funding sources
  \item attitudes towards state and local authorities
  \item operating control
  \end{itemize}
\end{itemize}}

\begin{center}{\textit{Figure 1. Analytical tool.}}\end{center}

... capacity of individuals, groups, and/or communities to take control of their circumstances, exercise power and achieve their own goals, and the process by which, individually and collectively, they are able to help themselves and others to maximize the quality of their lives.¹⁰

Linz and Stepan contend that “at all stages of the democratization process ... a lively and independent civil society is invaluable”.¹¹ Empowering projects can change the state, modernize and democratize it. In her study of “art girls” in Russia, Milam¹² discusses the contemporary art scene upheld by oligarchs’ money, but with a sincere interest by the women leading the art foundations to have a positive effect on society by changing attitudes toward postmodern art (through normalizing the experience, for example). Aiming at system change reflects whether the foundation’s representative emphasized any wish for this; within this indicator I distinguish between social change through the existing system, implying a belief in the current political system, and change through future generations, which may indicate mistrust toward the current political system. Support to grassroots movements implies that support to groups of people (informally or formally organized) with a shared interest is also essential in order to be perceived as an “alternative” foundation (see below), although not to the same extent as aiming for social change. Finally, support of culture and/or education can be implemented as support to art museums, scholarships for higher education within Ukraine or abroad, or even renovation of playgrounds and school sports facilities. Of these, foundation support to art museums carries high visibility; thus, such projects can additionally be categorized as a legitimization strategy.

Public Exposure of Gifts: Visibility

Next, let us examine how we can analyze the motivational aspect of exposure or visibility. In the eighteenth and nineteenth centuries, philanthropy in the United States and Germany was never anonymous; on the contrary, donors were clearly identified and exposed. In the case of art museums, for example, admiration for the objects also entailed admiration for their donors, and subsequently, such philanthropy was part of a larger goal of legitimizing and enforcing the hegemony of the elites.¹³ Today, the extreme manifestation of such motives is through very visible grandiose hyperprojects, like building a concert hall or a stadium, or an ornate fountain or a zoo. Legitimization attempts are always connected with an intended audience; therefore, the geographical focus, whether regional, national or international, reveals something about the intended audience, and we should also pay attention to the social class of the audience. Finally, whether the name of the founder

is ascribed to the foundation's name is also an indicator of visibility. This strategy is associated with social legitimization. While the expressed intention may ostensibly be to change the state, hyperprojects are more likely to compete with the state.

**Structure of Giving Organizations: Supporting the Status Quo or Alternatives**

Finally, examining the structure of giving organizations will help us analyse their role in relation to the state. Philanthropy foundations are sometimes classified as conservative, liberal, or alternative.\(^{14}\) Liberal and conservative organizations are at times lumped together, as they “frequently revolve around the best way to achieve an agreed-upon goal with the least disturbance to the status quo”.\(^{15}\) There are only a few “alternative” foundations that clearly seek to channel citizens’ voices.\(^{16}\)

To my knowledge, relations between government, civil society, and philanthropy in Ukraine have been studied only sparsely, and only with a broader civil society focus.\(^{17}\) Regarding elite giving in the United States and Israel, respectively, Ostrower\(^{18}\) and Shimoni\(^{19}\) found that elite donors expressed dissatisfaction with the government’s poor performance in dealing with social welfare problems; additionally, they criticized the excessive bureaucracy and lack of professionalism. In the Ukrainian context, this criticism can also be due to the numerous mechanisms of pressure and influence that state actors have over business. For example, public officials can use tax audits and fines as a means of punishing any business leaders who challenge them.\(^{20}\)

Whether a giving organization is based on a single or several funding sources will reveal how flexible it can be, and how independent it is from its donors. A high degree of endowed capital increases the prospects of an organization to function as an alternative and independent force, with foundations under these conditions being less dependent on the donors and on the market. To what extent are Ukrainian giving organizations’ activities independent from the state? What characterizes these relations, and what are their attitudes toward government authorities? If an organization shows high control, together with a reluctant attitude toward the

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17 NGOs and state relations in Ukraine are the research subjects in “Ukraine: The role of private sector in the public service of Ukraine: Social-political governance perspective” (2002) and “Civil Society Organizations in Ukraine: The State and Dynamics (2002–11)”.
state, it is possible to see features of anarcho-capitalism and competition with the state: a high degree of *operating control* and structured programs suggests higher motivation for developing an independent agenda with directions for the foundation to follow, along with a generally clearer vision of its aim and activities.

**Material**

The empirical base of this study consists of forty-six original qualitative interviews, of which thirty-one are unique. Information retrieved from the organizations' archived and published documents and websites is also explored. The core interviews were conducted with donors, directors, project managers, and associates of the foundations. In order to provide a degree of anonymity, anyone who receives a salary from the foundation was called a *representative*. The survey respondents were representatives of the foundations, most of them holding high positions and influence over their organization, and in most cases having close contact with the donors behind the foundations. The interviews supplied information on these actors' attitudes and values. Although the interviews also provided data on the foundations' programs and how they are run, the focus was on the representatives' interpretations and attitudes. Thus, quotes should not be taken as emanating from the foundations themselves, as the respondents were not in the role of spokespersons for the organizations or for the donors behind them. (Nevertheless, in cases of more than one interview from the same foundation, similar views were in fact expressed.) Additionally, I conducted interviews with four other private giving organizations, other donor-businessmen with regional influence, experts in the field of Ukrainian giving, and a minor sample of NGO representatives. These provided important interpretations as well as the institutional framework within which the giving organizations exist.

**Case Selection**

Ukraine does not stand out as a country with a particularly developed philanthropic culture. Many citizens share suspicious attitudes toward philanthropy, similar to those in other post-Soviet states. In the Charities Aid Foundation's 2016 World Giving Index list, Ukraine was ranked 106th in the world. However, the field has developed in the time since Ukraine gained independence in 1991. In 2015, almost ten thousand charity organizations collectively contributed over 9 billion hryvnias (389 million USD) to charitable purposes.21 Comparing this figure with Ukraine's public budget expenditures of 103 billion hryvnias (4 billion USD) the same year, it was almost one-tenth the size of the public expenditures. It should be noted that there were special circumstances in 2015, when the war in Eastern Ukraine generated donations both to the army and to internally displaced people. However, private foundations had also been effective before the outbreak of the war in 2014.

Philanthropic organizations in Ukraine that have a public figure behind them are by far the smallest group – although according to a 2008 estimate they are the most influential. The share of total net worth spent on private philanthropic foundations in post-Soviet countries is relatively minor if compared to well-known giants like Bill Gates or Warren Buffet. Nevertheless, the relative influence of private foundations in relation to public finances can be compared.

The study focuses on ten private domestic giving organizations that were initiated or headed by actors who, at some point, showed political ambitions. Aside from two, all of these were listed among the twelve largest private giving foundations in Ukraine in one or more of various press publications in 2010–12.

The list of selected giving organizations, including their Ukrainian names, is as follows:

1. Rinat Akhmetov’s Foundation for Development of Ukraine / Фонд Рината Ахметова ’Розвиток України’.
2. Victor Pinchuk Foundation / Фонд Віктора Пінчука.
3. Petro Poroshenko Foundation / Фонд Петра Порошенка - Фонд Порошенка.
5. Borys Kolesnikov Foundation / Фонд Бориса Колеснікова.
10. Foundation for Promotion of the Arts / Фонд содействия развитию искусств.

According to a report by the Ukrainian Philanthropists Forum, the impact of private foundations of one individual or family, as opposed to corporate or community foundations, is significant: “Regardless of all existing tax burdens, private foundations … remain the most stable in their activities” (Anna Gulevska Chernysh, ed., Philanthropic Institutions of Ukraine: Current Status and Development Prospects, Ukrainian Philanthropists Forum, Kyiv, 2008, 88). They are the smallest in number, yet the richest group of all the charity foundations operating in Ukraine (Anna Gulevska Chernysh, ed., Philanthropic Institutions of Ukraine: Current Status and Development Prospects, Ukrainian Philanthropists Forum, Kyiv, 2008, 80).

Bill and Melinda Gates donated, via their foundation, 16 billion USD over fifteen years, while Rinat Akhmetov has donated the USD equivalent of around 13–16 million per year since 2007. In 2015, Gates was described as the real secretary of education in an op-ed in the New York Times (Linsey McGoey, No such thing as a free gift: The Gates foundation and the price of philanthropy (London: Verso, 2015), 117), and in the 1990s the Foundation for Promotion of the Arts in Ukraine used the self-identified nickname “Ministry of Culture” (March 19, 2012).

“Kontrakty” 988–989, no. 17–18 (25 April 2011), “Korrespondent” (16 Dec 2011). Serhiy Arbuzov’s Ukraine’s Future Foundation was only launched in 2013, explaining its absence in these lists. Since the study is based on interviews with managers of the foundations, the foundations’ willingness to take part in that study and meet me has been one criterion. The Firtash Foundation was contacted to no avail, and thus was left out of the analysis. All the others rather easily accessible and willing to meet.
Five of the ten founders of the organizations under study are among the top fifty wealthiest Ukrainians. These five merit the label “oligarch,” to a greater or lesser degree, due to varying magnitudes of rent-seeking behaviour since the late 1990s; this includes buying property at discounted prices, receiving state subsidies, and developing and maintaining a monopoly position in the market, all within a patronalistic system permeated by corruption. The political scientist Jeffrey Winters defines oligarchs more generally; to him, they are powerful specifically because of their material wealth, and unlike other elites, oligarchs are unusually resistant to dispersing it. I argue that differences within oligarchies, between oligarchs, need to be taken into account in order to grasp the phenomenon fully. This study of ten crucial cases is not statistically generalizable; however, analytical generalizations can be made that go beyond their specific setting.

While we focus on these ten, a wider sample of giving organizations is included for the general findings: responses are analyzed from representatives and donors of four additional giving organizations, and from four donor-businessmen based in Lviv, Kyiv, and Kharkiv. They have no political affiliations, neither currently nor previously.

### Three Approaches to Giving

The giving strategies of the ten elite giving organizations under study are mapped out in Table 1. These findings suggest that they are associated with the founders’ involvement in politics and to the budget size of the foundation. Business magnates who have refrained from official politics and typically distance themselves from the term “oligarch” — although they are seen by many as typical oligarchs due to their funding of political parties, economic wealth, and mass media holdings — tend to have considerable yearly expenditures by their foundations (13–16 million USD as of 2012); we refer to them as post-politician oligarchs (PPO). Business magnates who themselves are appointed or elected office-holders are termed oligarch-politicians (OP), since they actively and officially combine economic and political roles; annually they donate about 1–4 million USD. The third type of foundation, initiated by a politician (P) without significant wealth, has a smaller budget.

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29 They are the Renaissance Foundation, Bohdan Hawrylyshyn Charitable Foundation, AntiAIDS Foundation, and K. Kondakov Foundation.
<table>
<thead>
<tr>
<th>Name of foundation and year of establishment</th>
<th>Background</th>
<th>2012 year's budget, million hryvna</th>
<th>Control/ Degree of project management</th>
<th>Funding</th>
<th>Degree of endowed capital</th>
<th>Degree of cooperation public sector</th>
<th>Aiming at 'system change'</th>
<th>Degree of support to grass-root movements/NGOs</th>
<th>Degree of support to culture and/or education</th>
<th>Degree of support to social policy infrastructure</th>
<th>Reply to instant social requests ('social assistance')</th>
<th>Geographical focus (National, International, Regional)</th>
<th>Degree of support to very visible 'Dubai projects'</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victor Pinchuk Foundation 2006</td>
<td>Oligarch</td>
<td>167</td>
<td>High</td>
<td>One</td>
<td>None</td>
<td>Medium</td>
<td>future generation</td>
<td>Medium</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>I+N</td>
</tr>
<tr>
<td>Rinat Akhmetov Foundation 2005</td>
<td>Oligarch</td>
<td>198</td>
<td>High</td>
<td>One</td>
<td>None</td>
<td>High</td>
<td>reform current system</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>Petro Poroshenko Foundation 1999</td>
<td>Oligarch,</td>
<td>23</td>
<td>Low</td>
<td>One</td>
<td>None</td>
<td>Low</td>
<td>none</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>N+R</td>
<td></td>
</tr>
<tr>
<td>Oleksandr Feldman Foundation 1997</td>
<td>Oligarch,</td>
<td>45</td>
<td>Low</td>
<td>One</td>
<td>None</td>
<td>Low</td>
<td>none</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>N+R</td>
<td></td>
</tr>
<tr>
<td>Borys Kolesnikov Foundation 2008</td>
<td>Oligarch,</td>
<td>18</td>
<td>Medium</td>
<td>One</td>
<td>None</td>
<td>Low</td>
<td>none</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>N+R</td>
<td></td>
</tr>
<tr>
<td>Kildiko Brothers Foundation 2003</td>
<td>Celebrity</td>
<td>10</td>
<td>High</td>
<td>Several</td>
<td>Low</td>
<td>Medium</td>
<td>none</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>Open Ukraine (Arseni Yatsenyuk) 2007</td>
<td>Politician</td>
<td>*</td>
<td>Medium</td>
<td>Several</td>
<td>None</td>
<td>Medium</td>
<td>none</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
<td>N+I</td>
<td></td>
</tr>
<tr>
<td>Ukraine 3000 (Yushchenko) 2001</td>
<td>Politician</td>
<td>6</td>
<td>Medium</td>
<td>Several</td>
<td>None</td>
<td>Low</td>
<td>yes</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
<td>N</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ukraine's Future Foundation (Serhiy Arbuzov) 2013</td>
<td>Politician</td>
<td>?</td>
<td>High</td>
<td>Several</td>
<td>None</td>
<td>?</td>
<td>none</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
<td>N</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Bohdan Harylyshyn Foundation 2010</td>
<td>Westerner</td>
<td>4</td>
<td>High</td>
<td>One</td>
<td>High</td>
<td>Low</td>
<td>future generation</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>N+I</td>
<td>Low</td>
</tr>
</tbody>
</table>
The “PPO” giving organizations are Rinat Akhmetov’s Foundation for Development of Ukraine (DoU) and the Victor Pinchuk Foundation (VPF). Akhmetov left the Ukrainian parliament in 2012, so technically he was also a politician during the study period. However, he is included in this category since he is the archetypal oligarch and influences politics more unofficially than officially. His image has since 2012 been presented as a post-politician. Oligarchs may indeed move in and out of politics; thus, their grouping may be somewhat arbitrary, but the different giving strategies of the groups identified above are clearly defined. The DoU and VPF describe themselves with values of transparency, international best practices, effectiveness, and professionalism, and appear somewhat similar from an outside perspective. While both foundations run programs aimed at empowerment, they also engage in hyperprojects and social assistance. Their projects are mostly nationwide; the foundations have a high degree of management and control their programs by partnering, when needed, with NGOs, allowing them to implement parts of the programs but giving them limited decision making authority.

The “OP” group consists of the Borys Kolesnikov Foundation, the Oleksandr Feldman Foundation, and the Petro Poroshenko Foundation. Similarly to the two foundations in the first group, their programming includes hyperprojects, but these three are also involved in the delivery of welfare. Their origins were regional, developing nationwide following the path of the founders’ political careers but keeping the strongest foothold at the regional level. If the donor’s audience is mostly regional or local, and if the donor runs a business in that region or is likewise running for local political positions, he usually engages in targeted aid. This implicitly does not require a fast-moving organization, and patron-client relationships are close.

The “P” category of foundation, on the other hand, fundraises for its smaller budget and provides a variety of support, in some instances aiming at social development. Opposition politicians tend to be weaker financially and base their organizations on fundraising; they target groups at a national level, either fishing for votes or “collecting money,” or hoping to influence change. Giving organizations such as Arseniy Yatsenyuk’s Open Ukraine Foundation, former President Yushchenko’s wife’s ‘Ukraine 3000’, Serhiy Arbuzov’s Ukraine’s Future Foundation, Anatoliy Tolstoukhov’s Promotion of the Arts Fund and the Klitschko [Brothers] Foundation are all characterized by smaller budgets and projects in the fields of culture, international relations, youth, and sports. On its website Yatsenyuk’s Open Ukraine (open v.)

31 Jeffrey A. Winters, Oligarchy (Cambridge: Cambridge University Press, 2011)
32 A counter example is Swedish donor Sigrid Rausing, according to Anna Breman, Forskning om filantropi: Varför skänker vi bort pengar? (Stockholm: Ekonomiska Forskningsinstitutet (EFI), 2008).
33 Serhiy Arbuzov initiated a new giving organization in 2015 called “Put’ Dobra” (lit. The Good Path) focused on welfare provision projects in Odesa. It is however not under scrutiny in this study.
lists its main tasks as “improving international reputation of Ukraine and increasing its promotion abroad” and “promoting international cooperation with Ukraine and public diplomacy.” Initially, the foundation received large amounts of funding from Victor Pinchuk. When this was severely reduced after the 2008 financial crisis, the foundation struggled (Representative 1, Open Ukraine, October 31, 2011), and this explains why it has turned to international organizations for funding. The latest list of the Open Ukraine Foundation’s sponsors includes the NATO Information and Documentation Centre and Germany’s Friedrich Ebert Foundation, among others. These “P” organizations are not engaged in hyperprojects, and within this group, most are not actually named after their founder, often including “Ukraine” instead. One exception is the Klitschko Foundation. It was founded in the late 1990s by the world-class boxing brothers Vitali and Wladimir (Volodymyr) Klitschko, and has since been focused on projects aiming at improving the life and lifestyle of young Ukrainians.34

**The Gift: Welfare & Empowerment**

To compensate for state failure seems an important point of departure for the studied organizations. The prevailing attitude is “What would it look like without us?” An Anti-AIDS foundation representative (March 20, 2012) says, “We support state hospitals with vocational training and equipment … the state is failing … but people need help now.” The Klitschko brothers’ foundation complements the state in what they call public-charitable partnership (PCP), as they cooperate with local authorities to establish school playgrounds; within all such projects they negotiate with city councils to share the costs (October 23, 2013). The Kondakov Foundation representative contends that the private foundations compensate for the state: “Some things are provided for by the state, some things by rich persons” (November 11, 2013). Open Ukraine expresses the same view: “Business and private sources support contemporary art, while the state supports traditional art” (Representative 1, October 31, 2011).

The Kolesnikov Foundation representative also gives this complementarian view, remarking on the importance of national pride among international audiences (October 16, 2013) along with a reference to hosting the 2012 UEFA European Championship. “It is not only about filling the holes, but also inspiring youth,” the respondent said. An associate of Akhmetov’s Development of Ukraine, culture program, opines on the helplessness of the state, believing it “important to cooperate with state institutions – they need support” (October 28, 2011). Anna Gulevska Chernysh, director of the umbrella organization Ukrainian Philanthropists’ Forum, emphasizes the ignorance of the state: “The way to get public support is to turn to wealthy individuals. The state just does not provide. [The private giving organizations are] not really complementing, the state ignores.”

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34 Vitali Klitschko was not a politician at the time of the study, and was not obliged to prove that this was not an organization aiming to promote him among the electorate. He obviously had political ambitions, though, since he has serves as Mayor of Kyiv since June 2014.
How are the studied organizations engaged in welfare provision? The Klitschko Foundation is mainly involved in building children’s playgrounds throughout Ukraine. As of spring 2014, they celebrated 140 playgrounds, and 181 playgrounds by spring 2018, in 135 villages and cities. They emphasise the need to provide playgrounds for “normal” children – in other words, those without disabilities, since charities tend to focus on those groups:

It is important for us to create a new generation of good Ukrainians, educated Ukrainians, who believe in themselves... To my knowledge, there are a lot of other foundations that work with disabled children, a lot of companies that invest money in orphanages (October 23, 2013).

Helping a new generation of Ukrainians believe in themselves associates with empowerment; however, I interpret it mostly as welfare, since it alludes to apolitical health. The Borys Kolesnikov Foundation responds to requests from persons in need; however, the interviewee claimed, “We have helped up to ten persons this year” (October 16, 2013). This is far less, by comparison, than the figure mentioned (around 2,000) at the Oleksandr Feldman Foundation (November 13, 2013). To work with targeted assistance is usually the equivalent of working in an ad-hoc manner, replying to needs and projects that they like to support: “He [Feldman] always helps out when people ask for money, especially when it concerns children, pensioners, families … we do not refuse anyone.”

Both PPOs have welfare programs: DoU runs programs to fight tuberculosis and cancer, and back in 2006 VPF launched the “Cradles of Hope” program, which builds a network of neonatal centres at existing state hospitals throughout Ukraine. These welfare programs can be interpreted as compensating the state. However, the effect of these initiatives is disputed. Open Ukraine adds to this view, but with criticism directed toward the capacity of the private sector: “People are expecting help from the state [but it does not provide], while businesses support only those who are already successful” (Representative 2, October 31, 2011). A previous employee at VPF, Dmytro Ostroushko, believes that VPF contributed to the modernization and improved image of Ukraine abroad (September 21, 2017), while Evhen Bystrytsky, director of the George Soros–funded Renaissance Foundation, is critical toward these initiatives, since long-term solutions are lacking: “The state has no culture politics. The initiatives by Pinchuk and Akhmetov etcetera are good, but they don’t solve the problems – the problems are accumulating” (November 11, 2011). The general attitude is that these initiatives function as compensation for state failures, and the wish to support the creation of a functioning state, able to provide social welfare, is rather widespread. The interviewees

also express distrust about the capability of the private sector to substitute for the welfare state.

Proclamations of empowering the future generation are made frequently by representatives of the PPO foundations, as well as by Politicians, while the OP foundations do not stress it. “Empowering a new generation” is here interpreted as supporting education, art, and NGOs; these are efforts that could potentially play a crucial role in a future democratization process. This is a means to “change” the state. Through student scholarship, “inspiring lectures,” and a “mind-opening museum of contemporary art,” the VPF strives to “change people’s minds” and create space for “future change” through the next generation:

In a country like Ukraine, the most effective approach is to invest in the next generation. If you provide them with great education, with the experience of international best practices, of how life abroad can be, of what international visionary thinkers say about the world of tomorrow, with the vision of contemporary artists which also depicts the world of today and tomorrow with its contradictions and possibilities, then these young people can grow up in a different way, form a new mind-set, form different sorts of skills, and when they get into positions of responsibility they can really change the country. And this is much more effective than trying to lessen the bad things happening now by investing in what's happening at the moment. So, investing in the next generation [is the priority] because then it brings a bigger return on your social investment (representative, Victor Pinchuk Foundation, October 14, 2013).

According to their website, the VPF has funded more than 2,000 monthly stipends across Ukraine over seven years, in 2010–12, fifty-five students were accepted to study at the highest ranked universities in the world. International studies are funded up to 60 per cent of the total cost of study fees. In accepting the grant, there is a commitment to return to Ukraine and work for at least five years; the scholarship must be returned if this is not followed (Scholarship Holder, November 21, 2013). The foundation also started translating online education courses of Coursera, the leading online education platform: “This is something we may develop because again, it can give a huge impact if all Ukrainian young people have access to the best education of the best institutions in the world” (VPF, October 14, 2013).

The reform agenda differs between the two “PPO” foundations. VPF stresses change through “future generations,” while DoU focuses on reforming the current state. DoU’s Representative 2 believes that changing current state agencies is more effective than “change through future generations. We work with the state, it is really hard, not easy, but we have to if we want to deal with these problems.”

38 Zavtra.UA fund students with a monthly stipend of 942 hryvni at seventy-nine universities of Ukraine. The fund totaled 18,110,000 hryvni. Victor Pinchuk Foundation.
The Yatsenyuk’s “Open Ukraine” and the Klitschko Foundation are humbler in their framing than DoU and VPF. They never offered big expectations on what they would do for social or political change – even though some of their projects, on a smaller scale than those of the business magnates, were aimed at “changing the state” via structural improvements or social change.

What about any links to grassroots civil society? Based on her work in the United States, the philanthropy researcher Francie Ostrower\textsuperscript{40} contends that contemporary elite philanthropy is organization-based, with donations going to non-profit institutions rather than directly to recipients. In Ukraine, however, civil society actors searching for funding for their causes do not find support from elite philanthropy. According to the civil society expert Svitlana Kuts (March 7, 2011), trust between NGOs and elite giving organizations is low.

One example that stands out is the initiative of the VPF called the philanthropic marketplace. It is an internet platform where the public can donate to specific NGO projects (the projects appear online after passing a transparency test). In an interview, the representative (October 14, 2013) said, “The idea is that this will help Ukraine make a jump forward and put philanthropic engagement into the DNA of the young generation.”\textsuperscript{41} According to the Philanthropic Marketplace website, the goal is “to create, maintain, and develop an effective collaborative platform for donors, non-governmental organizations, and recipients of aid, thus strengthening the non-profit sector and philanthropy in Ukraine.” While the VPF focuses on developing infrastructure to increase trust in civil society and encourage citizens to give more, they do not themselves directly support NGOs. The DoU is more focused on running their projects, which reinforces the thesis that trust toward NGOs is low. Contrary to VPF, the DoU does not engage in any projects that could facilitate for NGOs.

None of the studied organizations gives grants directly to NGOs, while most give grants to individuals; this means, in fact, that they are not supporting a grassroots civil society. Hence, while some of their projects may create platforms for change, it is not a comprehensive strategy of these organizations.

**The Gift: Visibility**

Both OPs and PPOs engage in very visible projects. The Poroshenko Foundation and the Feldman Foundation are still attached to their native cities, although they have offices in Kyiv and work at the national level. Both also engage in grand projects aiming at instilling pride as well as attracting visitors to their home cities. One example is the spectacular light and music fountain built in Vinnytsia by the Poroshenko Foundation, which involved a complete reconstruction of the bay of the Pivdennyi Buh River:


\textsuperscript{41} In total, 17 million hryvnias were allocated to different aims (projects in health, education, culture, sports, ecology, animals, etc.) as of June 2014.
It was a charitable gift to the city and had an impact on the number of tourists, with the people in Vinnytsia realizing that we are not worse than European countries… To some degree, the decision was prompted by an ecological problem, as the Old City was inundated during the flooding of the Pivdennyi Buh. The fountain is just amazing. It is 100 metres wide and its highest point is 63 metres, and all this with 20–25 minutes of music, like in Dubai (October 31, 2011).

The respondent implies that Vinnytsia is not a European city, despite its actual geographical location. Often when people in Ukraine say “Evropa,” they mean the European Union or some general idea of Western civilization. The Poroshenko Foundation representative is proud that Ukrainians can do no worse – in fact, even better – with this project as an example. These same feelings of pride, and hints of an inferiority complex, are expressed by a DoU associate. While Akhmetov built a stadium in Donetsk, and the Pinchuk Art Center was inaugurated in Kyiv, on discussing the fountain in Vinnytsia the DoU associate claims that these projects were important for the local communities.

We have always felt a bit of an inferiority complex for being smaller than Russia. These kinds of projects bring pride to the city. [The stadium in Donetsk is] fantastic, very impressive and nice. Like a flying saucer… So kudos to them, it is fine that they engage in these big projects. Of course, I believe that their money would be better used if they built a hospital. But I try to see it from my heart’s perspective (October 21, 2011).

The respondent expresses an inferiority complex with respect to Russia, reflecting the regional home turf of Rinat Akhmetov, mirrored in the work of the foundation focusing on Donetsk. I interpret this as a form of competing with the state, especially when it is combined with donor dependency and donor PR. In the case of Petro Poroshenko’s foundation, the inferiority complex stands in relation to the EU (or “civilized Europe”), not Russia, suggesting that Poroshenko is more Western-oriented. In my interview, when I stated that many people believe this is a PR project, the foundation manager answered that they have nothing to hide:

Yes, you can interpret it as PR. On the other hand, it is good PR… a lot of people come to see it. It is free, but it is a grandiose and expensive project. Of course we have less expensive projects, of a religious type, for example – a lot of money goes to the restoration of churches (representative, Poroshenko Foundation, October 31, 2011).

As he says, image-building can go hand in hand with the public good. When supporting the ArtPole music festival, they invited thirty-four journalists from Vinnytsia to write about it. Similarly, the Kolesnikov Foundation and the Feldman Foundation actively work to involve the media. However, the representative at the Feldman Foundation claims that it pauses six months before elections, although this is something that Vladimir Salenkov, a donor-businessman in the same city of Kharkiv, contested, saying, “this is the time when the Feldman Foundation is the most active” (November 13, 2013). The Kolesnikov Foundation denies any PR strategy; according to its representa-
tive, Kolesnikov does not need it, stating that as he is already famous and respected in Europe: “All of Europe knows him. I think he has a good reputation in Europe among people in the sports community” (October 16, 2013).

On the outskirts of Kharkiv, the Feldman Foundation opened Eco Park, a large public zoo that is accessible to disabled or ill children. At the Kolesnikov Foundation, there is no typical hyperproject; however, in 2010 Kolesnikov was appointed the minister in the Mykola Azarov government responsible for the UEFA 2012 Championship in Ukraine (shared with Poland). The foundation supports this sport, for example, by installing football fields all over Ukraine, and supports culture, for example, by setting organizing grant competitions for musicians and photographers (October 23, 2013).

The Victor Pinchuk Foundation runs its programs on both national and international levels, associating with liberal European and American communities, seeming to focus on getting its message out to these audiences. This is in contrast to the “OP” giving organizations, which are not at all so communicative or easily accessible in English. The VPF organizes public lectures in Kyiv and Dnipropetrovsk (Dnipro) with celebrities like British Labour politician Tony Blair, Fred Bergsten of the Peterson Institute of International Economics, Nobel laureate Muhammad Yunus, former US president Bill Clinton, and former Israel president Shimon Perez, who speak to multitudes of students, “so people here can see some of the best thinkers, leaders in the world today” (interview, October 14, 2013).

When confronted with the question of whether these activities can controversially have a positive effect on the reputation of their donor, the representatives often acknowledge this and say, “But what’s wrong with that?” In fact, it is usually PR for the foundation but not for the donor or founder, if he is a politician (e.g., Open Ukraine). Teresa Yatsenyuk (November 3, 2011) implies that giving is good, so then there is no need to dig into how people made their money: “We were told [by PR consultants] that if we want to do PR we should do social work – that would make us popular.” Nevertheless, she claims that Open Ukraine is not devoted to image building. Representative 1 said that after the Revolution of Dignity, when Yatsenyuk became the new prime minister, he was “ready to sacrifice his political image in these post-revolutionary times, which is not easy for any leader” (Representative 1, Open Ukraine, May 25, 2014).

The Ukraine’s Future foundation representative said, “Of course there is an understanding of these initiatives as ‘whitewashing’ the past, but it destroys the meaning of philanthropy” – and yet both Akhmetov and Pinchuk reject it as a motive. Representative 2 (DoU May 28, 2014) said they have no statistics on public opinion regarding the foundation (but according to other sources it is something they do have, which indicates their interest in the matter). Instead, he stresses the national pride that these types of projects bring. The VPF representative admits that a good reputation is nice and adds that working for Pinchuk helped to improve his own image (May 27, 2014).

Others argue that while Pinchuk needs social legitimacy, his programs support a “brain drain” of Ukrainian talent. Bohdan Hawrylyshyn (October 28, 2013) and
VPF ex-employee Mikhail Minakov argue that these initiatives are more PR than philanthropy, which was the reason for the latter to leave the organization after only one year. However, he also admits that some of the projects are sincere – for instance, the neo-natal program (October 26, 2011).

Based on the statement of a project manager at the Bohdan Hawrylyshyn Charitable Foundation, political philanthropy is about money from parliamentary deputy candidates going to daycare institutions and other similar areas (October 3, 2013), implying a legitimization motive behind the welfare support, combined with visibility. Others claim that these projects are positive for Ukraine's international image, and that while they might have been initiated as image-building projects, in time they developed into patriotism and genuine good will (DoU associate, October 21, 2011; ex-employee VPF, September 21, 2017).

Organizational Structure

The definition of a foundation in English often entails a commitment to endowed capital. Usually, it is structured so that the principal amount is kept intact while the investment income is available for use, or only part of the principal is released each year, allowing more effective donations over a longer period than if the principal was to spend all at once. The endowment may come with stipulations regarding its usage. In our Ukrainian study, the majority of the selected giving organizations lack any endowment. Ukrainian law does not require the founder(s) to transfer any minimum capital or specific types of assets to establish a charitable or private foundation. Instead, the official act incorporating the foundation should specify some assets assigned for designated purposes.42 The reasons why most of the studied organizations are not based on endowments may be that the donors: (1) prefer annual control over their expenditures; (2) prefer to invest in Ukraine now with all their strength; or (3) are young individuals and who therefore are not yet ready to bind their capital assets. When asked about an endowment, Representative 2 at DoU said they have discussed it over the years with the founder, Rinat Akhmetov, but he never recognized “the advantage of an endowment … that it is more sustainable and not dependent on conjunctures.” Part of his explanation includes the rhetorical statement that “on the other hand, if your business was going well, where would you put the money – back into your own business or in the foundation market?” (Representative 2, DoU, November 26, 2013). The VPF ex-employee Mikhail Minakov believes the behaviour of these foundations to be consequently unpredictable, and too dependent on their owners:

I would really stipulate an endowment as a criterion for Ukrainian philanthropists. If you think that an organization should do some public good, then endow it; make it independent. Establish the foundation, endow the foundation, and articulate the goal for this endowment. Then step back.

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If you want to have a puppet and to please some of your emotions, it shouldn’t be called philanthropy (October 26, 2011).

Private foundations are established in Ukraine under the Civil Code. Until 2014, they were not exempt from paying taxes on non-assigned donations from residents of Ukraine, and were not entitled to any VAT-exempt donations of in-kind and/or humanitarian assistance. Since 2014, individual and corporate donations to charities are deductible for up to 4 per cent of the taxable income/previous year’s net profit; for corporations, only 70 per cent of payments are tax deductible.43

Since institutional settings and giving cultures vary so greatly internationally, researchers of organizational philanthropy worldwide have shifted from labelling these organizations “foundations” and instead call them “institutional philanthropy” (ISTR 2016). My opinion is ambivalent concerning not only the term foundation but also the term philanthropy; since the latter is value-loaded, I prefer to use the more neutral term giving. However, since the organizations I am studying are often labelled “foundations,” they will be referred to as such if the particular organization identifies itself with that term.

Organizational control is the strongest factor among the “PPO” organizations. DoU’s Representative 2 stated, “You need to look closely at the factors that influence the problem you are wishing to solve, and carefully follow progress to see if it is developing in the way you wish.” To maintain control is thus highly valued. When the foundation operates its own projects to a large degree, a wider audience is probably intended at the national or international level. PPOs tend to have large, operative projects at the national level, supporting education, culture, and social welfare. A high degree of control often reflects a general fear of and distrust in society, and/or a belief that the team are the ones best suited to implement the programs. This implies something about their attitude to other actors in society, the state, and civil society, and also suggests that controlling image is important.

Attitudes toward the Public Sector

In our research, the representatives who most often expressed distrust toward the authorities were from the “OP” giving organizations, which all had one funding source that was sole for their activities. A Poroshenko Foundation manager said that they never co-fund anything; they always try to ensure that there is no other partner involved: “We never receive money from the state and they never receive money from us. We have only one funding source, in order to keep track.” Yaroslav Rushchyshyn, a donor-businessman said, “I would never cooperate with state institutions” (October 9, 2013), and the Foundation for Promotion of the Arts representative expresses pride for never having received money from the state (March 19, 2012).

Before the Maidan protests in 2013–14, most foundations expressed distrust toward Ukrainian state institutions, describing them as “not results-oriented" (representative, Bohdan Hawrylyshyn Charitable Foundation, October 3, 2013). The Poroshenko Foundation respondent said: “The state is very inefficient. Taxes are not returned to the people, not in Kyiv nor in Vinnytsia … I believe that these private charity projects are extremely important for the well-being of our society, since the state is not able to provide due to theft” (October 31, 2011).

Money in Ukraine can only be earned by violating the law. Otherwise, we are forced to live below the poverty line. Top management receives huge salaries illegally, big salaries. Small employees receive small salaries. I know this from my own experience, since I worked in the system of the Ministry of Defense (project manager, Bohdan Hawrylyshyn Charitable Foundation, October 3, 2013).

Attraction of Resources

Now let us examine how the fundraising organizations attract funds, and the role in this of a powerful name. The Klitschko Foundation fundraises through gala dinners with auctions, where the boxing brothers sell their prizes, clothes, belts, paintings, and items donated by their celebrity friends, such as Sylvester Stallone and Arnold Schwarzenegger. The Scorpions played at one gala, and donated a guitar that was bought for 300,000 USD. This form of celebrity fundraising is unique in my sample, but is in line with the general phenomenon of a public figure attracting resources – like the rest of the “P" foundations, such as Ukraine’s Future, ‘Ukraine 3000’, and the Foundation for Promotion of the Arts. These organizations, which are based on fundraising, have seen enormous vacillations in their resources as a consequence of the changing political positions of their founders.

For example, Ukraine’s Future was established in 2010, but it was only in 2013 that Serhiy Arbuzov, then first deputy prime minister, agreed to chair the board so that it could launch a big project, which was a grant competition aiming at rather unspecified “change” in Ukraine. The winning project could be in arts, education, health care, or any other field; and there were no defined sectors of interest or sums for running the project. Arbuzov’s name functioned more as an attractor of resources than as the funder, because of his position as a government official. The manager of Ukraine’s Future said:

[Arbuzov] as chairman of the board opens doors and opportunities to have discussions with business. Ukraine is that kind of country: if you do not have a big boss, business will not talk to you. Along with a big boss come opportunities for us to hold productive negotiations with big business. Only then will they possibly listen to us (November 20, 2013).

Anatoliy Tolstoukhov’s Foundation for Promotion of the Arts, which is affiliated with the Party of Regions, shows a similar pattern. It was created 1994, employing hundreds of specialists and collaborating with a wide range of important actors and institutions. It was the “presidential foundation,” sometimes called the “mini-ministry of culture.” However, after the Orange Revolution, when the Party...
of Regions faction lost much of its support, the monthly donations from businessmen and philanthropists quickly waned (interview November 20, 2013).

Similarly, the president of Ukraine following the Orange Revolution in 2004, Viktor Yushchenko, initiated the ‘Ukraine 3000’ foundation. It was later taken over by his wife, Kateryna Yushchenko, as chair of the foundation. After being accused of embezzling several million hryvnias that had been collected from oligarchs and the Ukrainian public, designated for the building of a children’s hospital on the outskirts of Kyiv, the foundation was struck hard financially. Additionally, after Yushchenko approached the end of his political career and lost trust among the Ukrainian public, it became very hard for the foundation to attract funds. The foundation is shrinking continually, but it still exists. When I had my final interview with their representative (November 22, 2013), they were still running their education projects, and their main and most stable funding source was the multinational corporation McDonald’s. By April 2018, however, their website was down.

It is striking how these organizations function parallel to the state, and how their sources of funding have a strong tendency to increase and decrease in direct dependence on the political leadership. They can be interpreted as competing with the state, when resources come from public funds and are channelled through the private sector.44

Yushchenko had several projects that drew together big businessmen and their resources to organize social welfare outside Ukrainian state structures. This can be interpreted as an alternative method of what the ‘Ukraine 3000’ representative described as “forced cooperation” (although he disliked the term). State bodies at the central appeal to the private sector with requests for financial help to solve social problems. Businesses cannot realistically object, since it is “practically impossible to do successful business without the cooperation of political authorities.” This he interprets more like “filling social gaps” with the help of business, rather than “effective philanthropy.” The term is not perfect, since it not only enforces the political levers of power but also the structural necessity of the businesses to operate.

Today you can provide solutions to road conditions or financing kindergartens, but tomorrow you will have a problem that needs to be solved by the authorities … and of course it will be easier for you to talk to the authorities if you already had some good relations (Ukraine 3000, November 22, 2013).

44 Ukraine has had more of these “power foundations” that not studied here since they have ceased to exist. The Fund for Effective Politics and Centre for Effective Politics (CEP) were established in the early 2000s with the aim of improving former Ukrainian president Kuchma’s image. According to the British political scientist Taras Kuzio, “the CEP also had an illegal side, being ultimately responsible for preparing the temnyky [covert instructions] sent to television stations, advising them what to report on and what to ignore” (Taras Kuzio, “Oligarchs, Tapes and Oranges: ‘Kuchmagate’ to the Orange Revolution,” Journal of Communist Studies and Transition Politics, 23, no. 1 (2007): 42).
What the interviewee describes is a variety of reasons to engage in philanthropy in Ukraine. There are: (1) more or less voluntary business activities; (2) forced cooperation; and (3) philanthropy in order to establish and continue good relations with the authorities. A given company can engage in philanthropy based on all three reasons. This reflects one angle of the complicated relations between business and politics, and emphasizes the interdependency between state and market. Vladimir Salenkov, a donor-businessman in Kharkiv, also mentions the practice of “forced cooperation”:

Yes, charitable foundations are being created at state institutions. This practice is common in Ukraine. I have transferred money to these funds, although I do not consider it an act of charity, and I regretted every penny. Nevertheless, without such income their work is impossible, since the employees have small salaries and there are no capital assets or office equipment. As a result, it is impossible for them to live and work. That is, independently donations are an additional source of financing. This is undoubtedly bad, but if there is no money in the state budget to fund them, then nothing can be done. A good illustration of this situation is the proverb “necessity is the mother of invention (November 13, 2013).

The Feldman Foundation representative, also located in Kharkiv, said: “We always respond to the needs of the authorities.” To the question of whether this is “forced cooperation” she replied, “Yes, we can make a deal with the authorities when something big comes up,” pointing also to their support of the Yushchenko initiative (November 13, 2013). The Kolesnikov Foundation speaks in favourable terms of “social contracts between government authorities and charities when their goals coincide” (October 16, 2013), while Andrey Palchevsky, a donor-businessman in Kyiv, explains how philanthropy could be abused in various ways:

A philanthropy foundation is the best instrument for whatever political action you could have in Ukraine. You want to win an election? Philanthropy. You want to bribe somebody? Philanthropy. You want to get great sweetheart deals with any ministry? First thing you do is go to the Ministry of Health, say, and come up with a philanthropic project (October 3, 2013).

There is a strong tendency by Ukrainian philanthropists to compensate the state by supporting it whenever necessary. However, in this section it is shown that this compensating behaviour is not always desirable for private actors. Furthermore, it can be a means of abusing power, both on the side of the businessman and the politician.

DISCUSSION

Being based on interviews with donors, foundation representatives, and external actors, this exploratory study of elite giving organizations in Ukraine cannot be generalized statistically. However, it can make analytical generalizations that go beyond the specific setting for the cases of elite giving in Ukraine and possibly in other insti-
tutional settings. My argument is that this study of ten crucial cases increases our understanding of the elite giving landscape in the Ukrainian context by highlighting differences between the foundations—and also, more importantly, similarities, depending on political standing. Political factors in elite giving mean that relations between politics and business in Ukraine are still very much intertwined. I also show how the foundations claim to compensate for state failure, and how these organizations may function as legitimacy creators, for different reasons and in various ways.

**Compensating for State Failure**

Can it be argued that these initiatives are a way to compete with the state? The institutional setting in Ukraine is poorly developed, and most of the organizations are not based on endowed capital. Upon this weak institutional base, the personal-kingdom risk is intensified, as their existence is dependent on yearly donations from the founders. The state can be interpreted as being challenged by the oligarch-politicians—who have a regional focus, express distrust toward the authorities, and provide social welfare for their beneficiaries, similarly to patron-client relations. The state is depicted as inefficient and bureaucrats as thieves. OPs are most harsh in their attitude toward the state, while the other organizations and donors express a wish to support the state in these difficult times, heavily coloured by “sistema practices.”

What about changing the state? Patriotism, pride, and hope are expressed regarding an abstract “future Ukraine.” Some of the organizations, mostly headed by PPOs and Ps, are ostensibly working for this. However, since dependency on the donors is high due to the lack of endowments, and political power is so important for the ability of the foundation to function, the sustainability of these projects is not secured. Something that cannot be contested is that these giving organizations all, to a greater or lesser degree, compensate for state failure by providing some social welfare to targeted audiences.

**Political Power Dependency**

This study shows that relations with the Ukrainian governing elite are important for giving organizations. The political position behind each of the founders is noticeable, both in relation to the state and to other groups in civil society. While Yatsenyuk (in opposition to Yanukovych) and Akhmetov (in support of Yanukovych) both run think-tanks aimed at reforms, the Poroshenko Foundation had no interest in supporting the government, “which has no future anyway.”

This study also re-

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47 Poroshenko was later elected president, after the Maidan revolution that ousted former president Viktor Yanukovych.
veals some post-Soviet peculiarities. In the Ukrainian context, again, where state and market relations are tightly interwoven, business is not always the most powerful.

Attitudes and relations to the state and local authorities are characterized by distrust, but also compassion in trying to support the state. The distrust of authorities is not only due to the incapability of the state to deliver, but to the way the state enforces “cooperation” with private entities, using their power to collect material resources supposedly for public good causes. The importance of political power is also evident in the manner some foundations talk about the need for a public figure to attract resources. While some organizations’ representatives were repelled by the thought of the state, others were not above proposing “Public-Charity Partnerships” or creating projects meant to be transferred to the state, treating seriously the innovative function of a civil society.

Representatives of big business are dependent on maintaining good relations with the governing elite, and the very existence of some of the giving foundations can be interpreted as an outcome of regime change and perhaps even the values of the governing regime. While most OPs established their foundations in the late 1990s during Leonid Kuchma’s presidency, Pinchuk and Akhmetov established theirs just after the Orange Revolution, when the presidency of Viktor Yushchenko stood for something new, with more democracy and hope for socio-political reforms. Engaging in programs aiming at reform or democratization, as they both did, can be interpreted as a way of the following dynamic norms in society. This means that what is seen as legitimate changes with different political leadership. Moreover, audiences and strategies will vary depending on the donor’s position in relation to current political leadership. Note that the study at hand is focused on the time of Yanukovych presidency.48

### Legitimization strategies

Since legitimization is a two-way dynamic process, we need to look at the presumed audiences. Based on project character and geographic location, I have identified the following audiences:

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<th>Geographical audience</th>
<th>Social audience</th>
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<td>Regional</td>
<td>Electorate, citizens</td>
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<tr>
<td>National</td>
<td>The national political elite, intellectual elites, in some cases citizens and the electorate, recognition among peers</td>
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<tr>
<td>International</td>
<td>Economic and political elites</td>
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In the literature, targeted audiences include recognition among peers, while international political and economic elites are, to my knowledge, rarely specified. PPOs who distance themselves from the label “oligarch,” wanting to be presented as some kind of respected “post-oligarchs,” target the broader public and peers; in only one case was the international political and economic elite specified. OPs, meanwhile, tend to target citizens at the regional level, but over time they also aim at the national intellectual elite. They have less productive foundations and work for image reputation with the help of hyperprojects, embracing domestic values such as responsibility (positive) or clientelism (negative) through ad hoc welfare assistance. Finally, the queried Ps target the national intellectual elite; in one case, the interests crossed the border to the international sphere.

The patterns crystallized between the different types of economic-political elites suggest a close connection between the background of the donor and his giving strategy. It seems that we cannot neglect where the money comes from when trying to understand the role of these initiatives, and not only the public role but also the private one, and what function it has for the donor. The patterns of giving strategies that I trace suggest that in order to understand these organizations’ roles in society, we are helped by information on their donors’ profiles – which challenges the argument that no attention need be paid to the origin of the money. Moreover, we see clear differences within the power elite between those with financial power and those without, which is in line with Winters’ argument about the necessity to distinguish the very wealthy elite from other elites. My study shows the need to differentiate between oligarchs, and highlights patterns in their giving strategies.

The giving can be interpreted as a legitimization strategy, although of varying kinds. While politicians seek to legitimize their future power aspirations, oligarchs seek to legitimize their assets obtained in the past. Both types of groups need to legitimize their extraordinary positions in society. “PPO” organizations show a portfolio of projects that touch on all three spheres. I interpret it as a way of maximizing their giving strategies in order to maximize influence. The wealthiest and most influential oligarchs use multiple legitimization strategies in order to reach multiple audiences. This is similar to what they do in politics: support diverse parties simultaneously. In a quantitative analysis of the Ukrainian super-rich, Markus suggests that “wealth is more resilient against various shocks … for oligarchs who pursue ‘flexible’ strategies aimed at legitimacy [via media and political parties] than for oligarchs who rely on direct power or asset mobility.” These “chameleon strategies” of the wealthiest oligarchs’ organizations, as shown in the present study, point in the same direction as Markus’ argument and enhance it with additional findings.

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Ганна СЕДЕРБАУМ

Благочинність економічної еліти в Україні: державні відносини та легітимність

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За допомогою аналізу десяти благодійних організацій, які заснували або очолювали політично активні члени української багатої еліти, ця стаття шукає відповіді на два широкі запитання: у який спосіб можна інтерпретувати інституціоналізацію благодійності як стратегію легітимації, а також якою є проголошена функція цих благодійних фондів у державі? Стаття розкриває інституціоналізацію благодійних пожертв з боку українських еліт як комбінацію трьох чинників: компенсація прогалин держави в підтримці суспільства, стратегія легітимації олігархів та інструмент державних акторів для впливу на бізнес.

**Ключові слова:** благочинність, благодійні організації, економічні й політичні еліти, стратегії легітимації, інтерв'ю

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**Original interviews**

*Focus giving organizations’ representatives*


Representative, Borys Kolesnikov Foundation, E-mail interview, November 14, 2011; October 16, 2013; May 23, 2014. Kyiv.


Representative 1, 2 (two respondents) Ukraine’s Future Foundation, November 20, 2013. Kyiv.


*Previous employees, potential recipients, non-focus giving organizations’ representatives, donors-businessmen*

Mikhail Minakov, Associate Professor at Kyiv Mohyla Academy, founder of Foundation for Good Politics, previous employee at Victor Pinchuk Foundation, October 26, 2011. Kyiv.


Representative 1, Bohdan Hawrylyshyn foundation, October 3, 2013. Kyiv.

Researchers, practitioners, analysts