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"Global Challenges and Prospects of the Modern Economic Development"****DEVELOPMENT OF GOVERNMENT FINANCIAL SUPPORT
FOR COMMUNITY BENEFIT NON-PROFIT ORGANIZATIONS
IN RUSSIA**

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Abstract

The interaction between the government and civil society entities is of substantial academic and practical importance and is debated among experts amidst the more effective people-centered policy based on cross-sectoral partnership. It is also noteworthy that government support meets the needs of Russian NPOs identified during large-scale empirical studies of the Center for Studies of Civil Society and the Nonprofit Sector National Research University Higher School of Economics. According to a representative sociological survey of NPOs, more than half of Russian NPOs (52%) would like to develop and roll out crucial social programs with the government, and 23% are ready to assist the authorities in their plans and undertakings. Here, 81% of NPOs already have some hands-on experience dealing with the authorities, at least, at the local level. The respondents cite government (municipal) grant-in-aid and subsidies for NPOs not related to specific projects and allocated to cover current (operating) costs (at the regional level 53% and 34%, respectively) as the most sought formats of government support for NPOs. The main idea of article – to show methodical approaches to assessment of efficiency of the financing to non-profit organizations of the Russian Federation. Authors analyzed the public and private sources of funding for the non-profit sector.

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Keywords: NPOs, community benefit non-profit organizations, government financial support, 'market failures', the third sector.



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1. Introduction

Some countries have long used the tools for redistributing part of the public funds to the non-profit sector in order to engage NPOs in tackling social issues, accumulated extensive hands-on experience and drawn up considerable theoretical works on the subject.

Various theoretical explanations of cooperation between the government and NPOs in the social domain can be conditionally classified into three core categories. The first area includes approaches that focus on the economy of social services, including analyzing market niches occupied by NPOs and comparing transaction costs of providing social services by private, public, and non-profit entities.

The fundamental work in the area that spurred the emergence of market and government ‘failures’ concept is the monograph by Weisbrod (1977). The representatives of the second area obtain insights into the socio-political factors of the interaction between the government and NPOs. Among the most well-known concepts in the area is the ‘social capital’ hypothesis put forward by Putnam, Leonardi, and Nanetti (1993), cooperation, mutual support among people due to participation in voluntary non-profit associations.

The social capital, according to researchers Spillane, Hopkins, and Sweet, (2017), makes government people-centered programs more effective, which determines the interest of the state in cooperation with NPOs. Researchers of the third area introduce a historical perspective into the study of socio-economic and socio-political factors, and carry out cross-country comparisons. For example, Esping-Anderssen (1990) highlights the dependence of the role of NPOs in their provision of social services on the historical type of state in a particular country, distinguishing liberal, social-democratic and conservative government models. Salamon and Anheier (1998) believe that the historical path and modernization of the state and the non-profit sector act as an essential factor explaining their relationship in providing social services.

The applied research of cooperation between the government and civil society entities takes place mainly in the context of market and government ‘failures’. It is the provision of people-centered services that creates the most frequent situations when not only the free action of market drivers, but also the operation of public organizations fail to ensure the proper use of available resources, thus, outlining a niche for the third sector. In our research of decisions on government support for community benefit NPOs in Russia, we also relied on the works of Russian experts on the certain aspects of the subject (Guz, 2015).

2. Problem Statement

New opportunities have emerged for direct government financial support of crucial social projects in NPO activities, which is critical for the material support of Russian non-profit organizations. The objective of the study is to analyze the existing financial instruments stimulating the activities of community benefit NPOs and their donors, as well as to develop proposals for their expansion through non-financial ways: learning, information sharing, consulting, and property support. In the context of international practices for the financing of community benefit NPOs, it is important to study the materials of government agencies, including the guidelines of the US Internal Revenue Service, reports of the Government Accountability Office of the US Congress and Her Majesty’s Treasury (UK), the laws of the

European Union governing non-profit organizations, which focus on the tools of government funding of ‘third sector organizations’.

3. Research Questions

The Russian legal system has ample legal structures of companies with no revenues from the core business area and thus considered non-profit. The Federal Law of April 5, 2010, N 40-FZ (2010) restricts the range of NPOs with community benefit status and the right for direct government support. This status can be acquired only by NPOs established as business structures under the Federal Law as of 12/01/1996 N 7-FZ On Non-Profit Organizations (1996), i.e., consumer cooperatives, real estate partnerships, public law companies, political parties, etc. are not eligible to obtain such status.

The law clarifies the circle of organizations recognized by the government as community benefit by listing the statutory types of activities that, from the government’s point of view, are of special social significance. Given the diversity of regional and local features typical in the Russian social domain, as well as in order to create conditions for allocating the resources of regional and local authorities to support community benefit NPOs, this Federal Law provides for the possibility of expanding the scope of activities aimed at solving social issues and developing civil society in the Russian Federation.

The government support of community benefit NPOs at the federal level is provided through the Ministry of Economic Development of the Russian Federation (MED) in the following formats:

1) On a competitive basis, community benefit NPOs get federal subsidies for their programs geared towards informational support, consulting and providing guidelines for other NPOs with a people-first approach, involving volunteers, and identifying, generalizing and distributing the best practices for projects rolled out by community benefit NPOs;

2) Grant-in-aid provided on a competitive basis (from the federal budget) to non-profit NGOs for crucial social projects. This type of financial support is known as ‘presidential grants’ in the non-profit sector;

3) Subsidies for community benefit NPOs provided by the Support Fund for Children in Challenging Circumstances established under Decree of the President of the Russian Federation of March 26, 2008 N 404, (2017).

According to the All-Russian Survey of Non-Commercial Organizations Managers, conducted by the Centre for Studies of Civil Society and the Non-Profit Sector of HSE in 2010-2017, donations from businesses and citizens are the main source of funding for NPO activities (Figure 01).

The system of budget support for NPOs, including corporate ones, is approximately the same for many countries (Zavgorodnyaya, Dubrova, & Guz, 2018). Sponsorship fees for corporate NPOs themselves or for organizing any events are actively involved (Espring-Andersen, 1990). Sponsors provide financial assistance to corporate NPOs in exchange for placing advertisements at events held by NPOs, or organizing PR campaigns of the sponsor (Kiseleva & Dubrova, 2019). The federal budget allocated ₺ 4,2 bn in 2015 and ₺ 4,3 bn in 2017 as subsidies for non-profit NGOs participating in the development of civil society institutes, more than ₺8 bn in 2018.



Figure 01. The main sources of funding for non-profit organizations in the Russian Federation

4. Purpose of the Study

The purpose of this research is to evaluate the Russian government support of community benefit NPOs in the context of international government support tools for non-profit organizations to promote cross-sectoral partnership in the social domain.

As measures used in the analysis, we include the concept of assisting the development of charity and volunteering in the Russian Federation as approved by The Order of the Government of the Russian Federation About the Concept of assistance to development of charitable activity and volunteering in the Russian Federation as of 30/07/2009 N 1054-r, a set of federal laws that create favorable conditions for the development of charity, volunteering and non-profit organizations, as well as programs of government agencies that determine specific volumes and conditions for the allocation of budget funds as support measures for community benefit NPOs (The Order of the Government of the Russian Federation About the Concept of assistance to development of charitable activity and volunteering in the Russian Federation as of 30/07/2009 N 1054-r, 2009).

5. Research Methods

This research of government support measures for community benefit NPOs in the light of international practices is mainly of applied nature. Still, we consider it appropriate to briefly describe its conceptual context.

Based on the empirical research conducted by the NRU HSE’s Center for Studies of Civil Society and the Nonprofit Sector (Mersiyanova & Ivanova, 2018), the number of operating Russian non-profit organizations that make up the subsector of community benefit NPOs is about 115 thousand entities

(Jakobson, Toepler, & Mersianova, 2018). Taking into account the scope of activities for community benefit NPOs currently prescribed by law, this means that up to 70% of all Russian NPOs operating today are potentially eligible for government support. Thus, the scope of government support under consideration is a critical driver of Russia's non-profit sector.

6. Findings

The use of the studied government support tools is able to promote cooperation skills between government agencies and a significant share of the Russian non-profit sector, make the cross-sectoral partnerships in the social domain a daily practice, and encourage trust between the government and civil society in Russia. The government support measures similar to those adopted in Russia in 2010-2018, helped other countries to grow the potential for the fruitful interaction between the government and community benefit NPOs.

By its core components, the set of measures is fully consistent with the known international practices. This refers not only to the composition of government support instruments – provision of significant targeted funding as part of programs, tax privileges, property support – but also to the principle of legal classification of limited scope of activities making non-profit organizations eligible for government aid.

7. Conclusion

In Russia, as well as in other countries that actively utilize mechanisms of cross-sectoral partnership in the social domain, the scope of activities carried out by community benefit NPOs supported by the government is non-exhaustive by law and can be expanded upon resolutions of regional and local authorities, taking into account social issues that need to be addressed locally. We assume that the use of legal opportunities for expanding the scope of interaction between government agencies and community benefit NPOs can boost the development of cross-sectoral partnerships in the social domain. The continued work on expanding the set of government support for community benefit NPOs can also contribute to this.

The support measures put in place for community benefit NPOs will be key to success in raising ample charity funds, growing resources of the social policy and sharing useful civil practices. Government support measures for community benefit NPOs should preferably be combined with promoting the growth of self-regulation and self-organization in the subsector. A particular importance is assigned to the prevention of excessive administrative barriers to government support for numerous small community benefit NPOs, which serve as a backbone of the Russian sector.

The support programs should be built taking into account this circumstance both during establishing competition procedures and during monitoring of projects funded by the government. Contributing to the sharing of 'good governance' principles, which have been tried-and-true by other countries, is a smart way of keeping administrative barriers at bay without reducing the effectiveness of government control over state expenditure for NPOs.

In the context of international practices, it becomes obvious that the agenda for building cross-sectoral partnerships in Russia's social domain is far from being exhaustive, although with the researched set of government support measures for community benefit NPOs, the country has undoubtedly made a necessary step in the right direction.

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