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# **TOOLS OF GOVERNMENT FOR SUPPORT OF SONPOs IN RUSSIA: IN SEARCH OF CROSS-SECTOR COOPERATION IN THE DELIVERY OF SOCIAL SERVICES**

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## **TOOLS OF GOVERNMENT FOR SUPPORT OF SONPOs IN RUSSIA: IN SEARCH OF CROSS-SECTOR COOPERATION IN THE DELIVERY OF SOCIAL SERVICES<sup>2</sup>**

This paper discusses the set of tools of government enacted in 2009–2013 in Russia to provide support to socially oriented nonprofit organizations (SONPOs). The discussion evaluates the new tools within the context of international comparisons. In particular the comparisons concern the definition of SONPOs as a subpopulation of the nonprofit sector, the economic dimension of the tool kit and the combination of the support measures as a means to foster cross-sector cooperation in the delivery of social services. Worldwide cross-sector partnership in the delivery of social services is used by governments to engage the resources of civic organizations in the implementation of social policy. NPOs quite readily accept government support and espouse participatory approaches considering such approaches as instrumental in pursuit of their social missions. In Russia this approach is considered a serious policy innovation since government policy to date vis-à-vis the nonprofit sector could be described as either indifferent or predominantly restrictive. The conceptual framework employed for our discussion is based on the explanation of the role played by nonprofit organizations and of the motivation for cooperation between the state and NPOs in the supply of public goods provided by the theory of “market / government / voluntary failure” and on the tools of government approach developed by Salamon. We first consider the legal definition of the subsector of SONPOs, and then investigate the newly introduced tools of government support featuring data on the scope of Russian federal government support for SONPOs. Our discussion focuses on international comparisons, showing substantial similarity to government tool kits employed to support NPOs elsewhere in the world.

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Keywords: government regulation; nonprofit sector; public administration; public-private partnership; Russia; social policy; socially oriented NPO.

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## **1. Introduction**

Since 2009 the Russian Federal government has embarked on a policy of support for socially oriented nonprofit organizations (SONPOs) introducing a set of tools designed to channel sizeable government funds to the third sector. The package amounts to a serious policy innovation with strategic implications for the development of a considerable segment of the population of civil society organizations in Russia. The policy environment for nonprofit organizations which prevailed in the middle of the past decade was considered quite unfavorable by many Russian experts (e.g. ICA, INP, 2007 and IEP Report No. 108, 2007)

The new policy is setting the stage for cross-sector cooperation in addressing a broad range of social issues and can be viewed as an instrument to increase the effectiveness of social policy. The Russian government may count on a cooperative response from the nonprofit sector, as representative sociological surveys conducted by the Center for Studies of Civil Society and the Nonprofit Sector at the NRU HSE (CSCSNS) in recent years demonstrate that Russian NPOs consider government support for their activities desirable.

According to the results of the most recent of these empirical studies<sup>3</sup>, 52% of Russian NPOs would readily cooperate with authorities in designing and implementing socially important programs.

23% of NPOs are ready to assist authorities in implementing government plans and initiatives. 81% of NPOs active in Russia already have some experience of interaction with authorities, at least at the local level.

The most desirable forms of government support identified by leaders of NPOs include government (municipal) grants earmarked for implementing socially important projects (53%) and subsidies to support current activities (34%). Further down the list of desirable support measures is provision of office space, preferably free or at subsidized rent levels (30%), federal tax rebates (24%) and access to government contracts for the delivery of social services (23%).

The government tool kit includes the “Concept to Facilitate the Development of Charitable Activities and Volunteering in the Russian Federation” approved by Federal Government Decree No. 1054, June 30, 2009 (Government of the Russian Federation, 2009), several pieces of Federal legislation facilitating philanthropic activities, volunteering (Federal Law No 40, 2010; Federal Law No 325, 2012; Federal Law No 44, 2013) and two government

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<sup>3</sup> Source: Results of the All-Russian Survey of NPOs conducted by Center for Studies of Civil Society and the Nonprofit Sector at the NRU HSE in autumn 2012 as part of the monitoring of Russian civil society with the support of the NRU HSE Program of Basic Research. Data collection was accomplished by the “Market-Up” Company. The design of the survey and the instruments were developed by I.V. Mersianova and L.I. Jakobson. The sample consisted of 1005 NPOs. The survey covered 33 Russian regions. The sample was constructed to ensure representative result by legal form and year of registration of NPOs. Regions were selected on the basis of a typology considering three indicators: urbanization; third sector development index; economic development index.

decrees determining the amount of government funding and guidelines for the disbursement of these funds (Decree No. 713, 2011; Ministry of Labor and Social Support of the Russian Federation. State program, 2013).

We consider the tool kit introduced between 2009–2013 as a policy innovation for several reasons. For the first time the Russian government defined a strategic goal for its activities to support the development of philanthropy and volunteering. The Concept mentioned above describes philanthropy and volunteering as a resource for social development through the dissemination of innovative social practices. Tapping this resource by supporting philanthropy and volunteering the government expects to improve its own social policy as nongovernment philanthropic funds and volunteer labor resources will augment its own efforts in the provision of social services (Government of the Russian Federation, 2009). In other words the declared strategic goal of the Russian government is to develop cross-sector cooperation in the provision of social services.

The strength of the commitment of the government to this strategic goal is underscored by the fact that the subsector of SONPOs has received a legal definition and measures of support were introduced by Federal laws. The government tool kit includes direct government funding for socially important activities of NPOs, tax incentives benefitting both NPOs and their donors, the legal framework for the participation of SONPOs in tenders for government and municipal contracts has been improved. Provisions for assistance in form of transfer of property rights have been introduced. The tool kit provides also for in-kind support such as education and training, consultative assistance and information support.

In our paper the introduction is followed by the description of the theoretical framework applied in the analysis. In order to set the stage for international comparisons we then consider the legal definition of the subsector of SONPOs provided by Russian law and investigate the design of the individual tools of government. The discussion section is aimed at evaluating these new tools against the background of international experience. In particular the comparisons focus on the definition of SONPOs as a subpopulation of the nonprofit sector, on the economic dimension of the tool kit and on an exploration of the composition of the tool kit. The combination of these three comparative perspectives allows us to provide an assessment of the support measures as a means to foster cross-sector cooperation in the delivery of social services. The conclusion summarizes major findings and suggests issues for further research.

## 2. Theoretical framework

For a theoretical framework the present paper relies on the tools of government approach developed by Salamon (2002). The tools of government approach is based on an explanation of the role of the nonprofit sector as a provider of collective goods originally suggested by Weisbrod (1977). Within a three sector model of the economy the existence of the voluntary sector is viewed as the combined product of “market failure” and “government failure” i.e., of inherent limitations in both the private market and government as providers of “collective goods”. The demand for collective goods not satisfied by either the market sector or the government is served by nonprofit (voluntary) organizations. Salamon takes one further step to explain “the reality of extensive government-nonprofit ties” and highlights four “voluntary failures” that necessitate government action and that justify government support to the voluntary sector: philanthropic insufficiency, philanthropic particularism, philanthropic paternalism and philanthropic amateurism (Salamon, 1987, p.39). The conclusion Salamon makes is that “the voluntary sector’s weaknesses correspond well with government’s strengths, and vice versa”, and thus extensive collaboration between government and the nonprofit sector emerges as “a logical and theoretically sensible compromise” (Salamon, 1987, pp.42-43).

The above conceptual approach currently belongs to the mainstream analysis of government–nonprofit interaction in the delivery of public goods and to the mainstream of academic discussions of the broad variety of mechanisms and tools channeling government funding to NPOs employed in many countries of the modern world. Salamon (2002) draws mainly on the experience of the USA to systematise the main forms and programs of government funding available to NPOs which provide social services. The analysis of the European government tools employed to outsource social services to nonprofit organizations is provided in Ascoli and Ranci (2002). We consider the tools of government approach as fully applicable for our analysis of the current set of measures of support for SONPOs introduced by the Russian government.

To include a policy analysis perspective we pay attention to selected foreign government documents addressing government–nonprofit relations, e.g. the US GAO Report *Nonprofit sector: Significant Federal Funds Reach the Sector through Various Mechanisms, but More Complete and Reliable Funding Data Are Needed*. (US GAO, 2009), and the UK Treasury Report *The future role of the third sector in social and economic regeneration: final report*. (UK Treasury, 2007). Further valuable insights for the policy analysis perspective were derived from US IRS *Instructions for Form 990 Return of Organizations Exempt from Income Tax*. (IRS, 2012), and US IRS *Instructions for Form 1023. Revised 2006*. (IRS, 2006). The data provided in

these government publications allows us to evaluate the formulation of goals of cross-sector cooperation adopted by the Russian government as well as to compare the definition of the target subsector of organizations eligible for support in Russia against the background of precedents elsewhere in the world.

In evaluating the measure of innovation inherent in the Russian government tool kit to support SONPOs we have relied on several analyses of the policy environment for nonprofits in Russia before 2009. Among these are *Economic Consequences of the New Legislation On Nonprofit Organizations* published jointly by the Institute for Civic Analysis and Institute of the National Project “Social Contract”(ICA, INP, 2007) and *Problems of Taxation of Nonprofit Organizations in Russia* published by the Gaidar Institute for Economic Policy (IEP Report No.108, 2007). These organizations are prominent nongovernmental Russian think tanks. Another relevant discussion of the policy environment of the Russian nonprofit sector is Jakobson & Mersiyanova (2012).

To validate the practical implementation of the Russian government tool kit we have relied on a collection of case-studies featuring best practices of cross-sector partnerships at the regional and local levels (Shadrin, 2010).

### **3. Defining socially oriented NPOs**

The legal definition of SONPOs was introduced by the Federal Law No. 40-FZ of April 5, 2010 “On Introducing Amendments to Selected Legal Acts of the Russian Federation On Support for Socially Oriented Nonprofit Organizations”, Article 31.1” (Federal Law No. 40, 2010). The same act defines the powers of federal, regional and local governments to support such NPO and the forms this support may take.

The act identifies legal forms of nonprofit organizations which are eligible to acquire the status of a SONPO and to receive direct government support. Not all non-profit-distributing organizations can qualify. Eligibility is limited to nonprofits established in legal forms listed by the Federal Law No. 7-FZ of January 1, 1996 “On Nonprofit Organizations”, which excludes from access to the status of a SONPO consumer cooperatives, homeowner societies, government institutions, government corporations, autonomous institutions and political parties (Federal Law No 7, 1996).

The law further limits eligibility for socially oriented status by defining charter purposes of NPOs which the lawmakers consider to be of particular public benefit. Among such charter purposes are:

- 1) social support and social protection of citizens;
- 2) activities aimed at preparing the population to overcome the consequences of natural disasters, environmental or technogenic accidents, or at preventing such accidents;
- 3) aid to victims of natural disasters, environmental, technogenic or other accidents, aid to victims of social, national or religious conflicts, refugees and involuntary migrants;
- 4) environmental protection and the protection of animals;
- 5) protection of artifacts (including buildings and constructions) and territories of particular historic, cultural, religious or environmental value including places of burial;
- 6) legal aid, provided free of charge or at reduced fees to citizens and nonprofit organizations, legal education of the population, protection of human rights and civil liberties;
- 7) prevention of socially dangerous behavior patterns of citizens;
- 8) philanthropic activities as well as activities to facilitate charity and volunteering;
- 9) activities in education, research, culture, arts, health care, disease prevention, the promotion of healthy life styles and of physical culture, activities to improve the moral and psychological condition of citizens, as well as support for the above activities, and facilitation of spiritual development of the individual;
- 10) promoting intolerance to corruption
- 11) the development of cooperation between nationalities, preserving and protecting national identities, of culture, the languages and the traditions of peoples of the Russian Federation;
- 12) activities to nurture patriotism among citizens of the Russian federation, including activities in the area of military-patriotic education. (Federal Law No. 40, 2010)

To adjust for the diversity of regional and local features of the Russian social sphere as well as with the purpose to facilitate co-sponsoring of the support measures for NPOs from regional and local government budgets this Federal law leaves the list of eligible NPO activities open-ended. It includes a provision for expanding the list of activities aimed at solving social problems and at the development of civil society in Russia through regional legislation and by adopting corresponding norms and regulation by local (municipal) governments.

Empirical data assembled by the CSCSNS allows us to estimate the number of actively working Russian NPOs comprising the SONPO subsector at 115,000. The break-down of the sector by activity when presented against the background of the above list of activities eligible for government support shows that up to 70% of actively working Russian NPOs are in the position to apply for government funding. That means that the investigated set of government

support measures is potentially a major driving force of the development of the Russian non-profit sector.

## **4. The design of the tools**

The government support tool kit may be divided into the following major subsets of tools, arranged by major form of support:

- 1) direct financial support,
- 2) transfer of property rights to allow for access to office space at subsided rental payments or for free access to facilities,
- 3) various tax incentives provided by law to NPOs, to their donors and to recipients of charitable contributions and of charitable services from SONPOs
- 4) government contracts
- 5) information support, consultative assistance, government sponsored training programs for staff and volunteers enrolled by SONPOs.

The Federal law leaves the list of forms of support for SONPOs open-ended, subject to extension by either the Federal Parliament or by legal acts adopted by legislative assemblies of Russian regions and by legal acts of local governments (Federal Law No. 40, 2010). In our view this is a positive feature of the legal arrangements governing interaction between Russian government bodies and SONPOs. Thus regional and local authorities are capable to respond to existing local priorities in the social sphere and enhance support for SONPOs using their own budgetary funds.

### **4.1. Direct financial support**

4.1.1. At the federal level one of the major tools is the Program of support for SONPOs administered since 2011 by the Ministry for Economic Development (MED). The Program was enacted by Decree of Government in August of 2011 (Decree No. 713, 2011). The decree details two sets of regulations on the provision of subsidies from the Federal budget. First, there are federal subsidies provided directly to SONPOs in support of their own projects. Second, there are federal subsidies to Regional governments earmarked for regional programs of support for SONPOs.

The subsidies going directly to SONPOs are administered by the MED on a competitive basis. Eligible to participate are NPOs proposing projects aimed at providing information assistance, consultation and methodological support to other SONPOs, including projects aimed

at training how to attract volunteers and at the collection, analysis and proliferation of best practices of SONPOs.

According to MED in 2011-2012 a total of 1198 nonprofit organizations applied, 83 applications were supported. The fund of subsidies disbursed through two years of competition amounted to 294 million rubles (roughly equivalent to US\$ 8.9 million).

The second kind of federal subsidies earmarked to co-fund regional government programs is also disbursed on a competitive basis. The applications are submitted to MED by regional governments. The competition for this kind of funding is less severe than that among nonprofits: in 2011 49 out of 52 applications by regional governments received federal support, 600 million rubles (US\$ 18.2 million). In 2013 69 regions applied, again 49 were supported. The funding increased slightly to 630 million rubles (US\$ 19 million)

4.1.2. Another federal tool similar in design has been put in place by Federal Government Decree No. 2553, December 27, 2012. It is a Government Program of the Russian Federation named “Social support of citizens”, which includes a subprogram labeled “Increasing the effectiveness of government support of SONPOs” (Ministry of Labor and Social Support of the Russian Federation, 2012).

This subprogram is aimed at the greater involvement of SONPOs in the provision of social services to citizens and thus at increasing the overall amount and improving the quality of such services. The amount of funding earmarked for the subprogram for the period 2013–2020 is 13.482 million rubles (US\$ 408 million), out of which 1.678 million rubles (US\$ 50.8 million) were to be allocated in 2013. Again, the subprogram is to be administered by MED, although the overall program falls under the auspices of the Ministry of Labor and Social Protection.

4.1.3. A third major government tool of direct financial support available to Russian NPOs are the so-called “presidential grants to NPOs for the implementation of socially important projects”. Technically these are also subsidies from the Federal budget, which are provided to several (presently 6) umbrella NPOs selected by the Administration of the President. These umbrella organizations are then running open grant competitions among Russian NPOs. The tool works since 2010. The amount of funds disbursed by way of this tool grew from 1,000 million rubles in 2010 (US\$ 30 million) to 2,320 million rubles in 2013 (US\$ 68 million) (Decrees of the President of the Russian Federation, 2010-2012).

4.1.4. Two further federal ministries provide direct financial support to associations of people with limited abilities and to other SONPOs, which engage in activities aimed at the social protection of citizens, and activities to promote healthy life styles and work in the area of health care. However it is not known how much money the Ministry of Health and the Ministry of Labor and Social Protection allocate to these purposes and how these funds are administered. It

appears that the ministries support associations of handicapped people carrying on from the soviet period or their successor nonprofit institutions, and that such support occurs on an incremental basis from levels established sometime in the early 1990s.

#### **4.2. Transfer of property rights to allow for access to office space at subsidized rental payments or for free access to facilities**

This tool was enacted by Federal Government Decree No. 1478, December 30, 2012 “On Using Government Property to Support Socially Oriented Nonprofit Organizations”. The Decree introduces obligations for government agencies to compile, maintain, update and publish lists of nonresidential properties owned by the Federal government, which can be leased out to SONPOs on a long-term basis. The Decree specifies the criteria and rules of needs assessment and the selection of NPOs to be endowed with the long-term lease of such property, as well as applicable restrictions on the aims of use and rules to safeguard against mismanagement and corruption. Such property is to be leased out to SONPOs free of charge or at rent levels of up to 50% of the going market rate.

The decree encourages regional and local governments to introduce similar norms and regulations of their own to increase the supply of office space for SONPOs from the stock of properties owned by regional and local governments.

The Decree pays particular attention to insuring transparency and competitiveness in the process of transferring property rights to SONPOs. MED has prepared guidelines for regional and local governments detailing the design of procedures which these levels of governments can rely on to issue their own regulations in compliance with the letter and spirit of the Federal Government Decree (Ministry of Economic Development, 2013b).

#### **4.3. Tax incentives**

The improvements in the taxation regime introduced in 2011–2013 extend to the whole of the nonprofit sector, including SONPOs (Ministry of Economic Development of the Russian Federation, 2013a).

*4.3.1. Stimulating fundraising and service provision.* A look at the design of the instruments suggests that one of the major goals the lawmakers pursued was to stimulate NPOs own efforts at fundraising (both from individuals and from businesses), at forming endowments, and at provision of services-for-fees, as may be compatible with NPO missions.

- social tax rebate from personal income tax: an individual may file for a reduction of his / her taxable income by the amount of charitable contributions made to SONPOs (including

charities and religious organizations) in support of their mission based activities. The reduction may not exceed 25% of the taxable income (liable to be taxed at the current personal income tax rate of 13%) in a given fiscal year. The Russian Government plans to improve the tool by allowing an individual to transfer the right to reclaim the tax rebate to the recipient SONPO. The individual donor would be free of the associated administrative burden. This provision would make mass fundraising campaigns more attractive for NPOs allowing them to increase the total ruble amount of small donations collected by 13% by taking over the administrative business of reclaiming the rebate.

- an extension of the list of payments an NPO may receive to cover its overheads and costs of its mission-based activities counted as costs at the calculation of taxable income of an NPO and consequently reducing taxes due.
- NPOs are allowed to accept securities and real estate as charitable contributions to their endowments;
- since 2011 NPOs are not liable for VAT while providing care services to the ill, the elderly or the handicapped who are officially considered in need of such services by federal health care/social institutions. Before that only the government or municipally owned institutions were allowed to provide these care services free of VAT.
- similarly VAT is waived on NPO social services to support children, handicapped and elderly people in a difficult life situation, as well as on organizing and delivering mass physical culture events.
- VAT is further waived on charitable transfer of property rights;
- finally, VAT is waived on social advertising (both on the production and on dissemination of such advertising materials, if such services are provided free of charge); the costs of producing or disseminating social ads reduce the taxable income of providers, if providers comply with restrictions applying to the amount of information about sponsors included in social ads.

*4.3.2. Further improvements in the taxation regime relate to reducing direct financial costs and transaction costs for charitable NPOs:*

- personal income tax is waived on charitable donations (both in form of money and goods) received by individuals from Russian or foreign charities;
- personal income tax is waived on any income received from NPOs by orphans, or children without parental care and by children living in families with per capita income not above the legal subsistence level;

- personal income tax is waived on reimbursements of meal costs to volunteers (up to 700 rubles a day in Russia and up to 2500 rubles abroad), and on reimbursements of other costs related to volunteer work, including accommodation, transfers, medical insurance and costs of means of individual protection;
- a 20% reduction in rates of mandatory social insurance has been granted to NPOs which have chosen to use the simplified taxation system, including charities, provided they comply with established restrictions related to the kinds of eligible activities and sources of funding;
- since January 2013 the property tax has been waived on assets acquired by NPOs after this date (except for real estate). The waiver covers the hardware used by NPOs such as office furniture, office equipment.

#### **4.4. Contract tool**

Contracting SONPOs for the delivery of goods and services to all levels of government is a powerful instrument of government support to NPOs.

Theoretically equal access to government and municipal contracts for organizations irrespective of their legal form or form of ownership was proclaimed in laws governing contracting since 2005. However the specific provisions regulating the administration of tenders of the Federal Law No. 94 “On Placing Contracts for Goods, Works and Services Required by State and Municipalities” disfavored NPOs. Implementation of these provisions resulted in government and municipal funds earmarked for social services going almost exclusively to government owned institutions across the social services sectors of health, education and human services alike.

An attempt at correcting the discriminatory situation was introduced in the Federal Law No. 44 of April 5, 2013 “On the Federal Contract System in the Area of Procurement of Goods, Works and Services Required by State and Municipalities” (Federal Law No. 44, 2013). The provisions of this Law are active as of January 1, 2014. The law requires all levels of governments to contract small businesses and SONPOs for at least 15% of the total annual value of contracts. The value of a single contract falling under this provision is set at up to 20 million rubles (slightly above US\$ 600,000). The 20 million ruble limit actually covers the bulk of typical government contracts for diverse social services. This attempt to level the field for SONPOs through positive discrimination appears to be well-meant. Information about government tenders is readily available to interested parties on a special internet portal. However the legislation still carries a lot of other specific provisions which make it difficult for NPOs to compete with both privately or government owned contractors (deposit requirement,

reimbursement of costs principle and difficulties to achieve an advance provision in a contract, insufficient coverage of overhead costs etc.).

#### **4.5. Information support, consultative assistance, government sponsored training programs for staff and volunteers enrolled by SONPOs**

Examples:

Information: A portal on the internet administered by MED contains a section on SONPOs. The resource contains a wealth of information on the activities of the Government aimed to support SONPOs, the volunteer movement and assist the development of civil society in Russia. This includes laws, norms regulations (both acting and planned), analysis, information on competitions for direct financial support, methodological recommendations, model regulation acts. The information helps both NPOs and regional and municipal governments and is intended to speed up the dissemination of best practices of government support tools across the country.

Work to extend the available information to regional government tools is under way. Information on recipients of government subsidies, including reports on projects supported will also be posted on that resource.

Training: In 2012 MED sponsored the development and launch of a training program aimed to develop cooperation skills for NPO staff and volunteers and public servants working for agencies and departments in charge of SONPO support programs or in charge of the delivery of social services. Designed by HSE the training program is delivered by the Russian Presidential Academy of the National Economy and Public Administration. The Academy is well represented in Russian regions, the training courses are tailored both for in-class delivery and for online distance training so that the program is readily accessible across the country. The training program is government licensed to count as an official skills improvement course which allows regional and municipal governments to use public funds to pay for participation of their employees. Among other things this feature of the program serves its financial sustainability.

### **5. Discussion**

#### **5.1. Attribution of Russian SONPOs**

Considering the legal definition of SONPOs provided by the Russian law we first notice that these organizations can be classified as non-profit distributing. Moreover the Russian law excludes mutual benefit organizations (e.g. consumer cooperatives, homeowner societies) from

the subsector of SONPOs. SONPOs are by legal definition non-governmental. Political organizations with a nonprofit nongovernment legal form do not qualify for SONPO status.

The second criterion applied by the Russian lawmakers limits eligibility for SONPO status by charter purpose. The eligible purposes listed in the Russian law are similar to purposes described as charitable / tax exempt by the US IRS (IRS, 2006), or to the purposes considered as charitable / public benefit in the European Union (EFC, 2003).

Within the context of international comparative nonprofit sector studies Russian SONPOs may thus be attributed as charitable or public benefit organizations.

## 5.2. An economic perspective

To evaluate the economic dimension of the new government tool kit it is useful to take a look at it against the background of the scope of the Russian public sector. The presently available data limits the perspective by the federal level, but even so the resulting picture appears meaningful. Russian federal government expenditures on social sectors (health, education, culture, physical culture and sports, social policy), after deducting pensions paid to the retired population, was 2494 billion rubles in 2012<sup>4</sup>. According to the data MED provided to the Civic Chamber of the Russian Federation the combined direct financial support provided to NPOs through all federal programs (including federal funding flowing as matching funds into programs administered by regional government) was 4.7 billion rubles in the same year (Report on the State of Civil Society in the Russian Federation, 2013, p.23.). This was just under a fifth of one percent of federal expenditures on social sectors. Thus direct government support of NPOs, if put against the background of the overall government effort in the social area, presently looks like a pilot project.

The economic dimension of the tool kit appears more significant against the background of the present scope of the Russian nonprofit sector. A measurement produced by the Boston Consulting Group in 2011 puts the Russian share of NPO income from government sources (federal and regional) at 5% (Boston Consulting Group, 2011)<sup>5</sup>. Beyond this estimate there are diverse sociological surveys of nonprofit organizations conducted by several independent think tanks over the past few years which indicate that government subsidies and grants are considered

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<sup>4</sup> Source: Ministry of Finance of Russia, available at <http://info.minfin.ru/fbisplash.php>

<sup>5</sup> Up to date this measurement enjoys broad acceptance within the Russian academic and policy analysis community. It was produced in a special policy analysis effort assisted by MED and is based on data from diverse official sources, including the Russian Statistical Agency. The version published by BCG does not disclose in full the methodological details. For example, we do not know if NPO income data which went into the estimate was limited to NPISH from the System of National Accounts, or was based on a broader sample of nonprofit organizations. Furthermore the published version indicates that NPO income data used is of 2009. While leaving substantial methodological questions open, with respect to assessing the current importance of government funding for the Russian nonprofit sector the estimate appears realistic enough within the context of information on other sources of NPO incomes available from diverse bodies of data.

by leaders of NPOs as a significant source of income. One conducted in late 2013 indicates that federal grants were an important source of income for 36% of Russian NPOs (ASI, 2013). In an earlier similar survey conducted in 2007, i.e. before the tool kit was introduced, there were only 6% of Russian NPOs indicating federal grants as a source of their income (Mersiyanova & Jakobson, 2007).

Within a framework of international comparisons the economic dimension of the government support for Russian NPOs appears modest. According to findings of the Johns Hopkins Comparative Nonprofit Project for a group of 12 countries with differing economic, social and cultural conditions the share of nonprofit income from government sources averages 32% (Salamon, Sokolowski, Haddock, & Tice, 2013, p.10). Within the group the share varies from 68% in Belgium to 3% in Mozambique. Brazil has a 5% share, comparable to the estimate produced by the Boston Consulting Group for Russia.

Our ability to explore further the economic dimension of the Russian government support for SONPOs is constrained by the insufficiency of available data. Statistical data featured in the Russian System of National Accounts is presently limited to Nonprofit Institutions Serving Households (NPISH) leaving a considerable segment of the nonprofit sector in accounts of other institutional units. Even data on NPISH is not yet published on a regular basis. This information gap is partly filled in by sociological surveys of the nonprofit sector. A pioneering role in this area is played by the Center for the Studies of Civil Society and the Nonprofit Sector at the HSE. However in order to assess in greater detail the economic importance of the direct financial support tools at the regional and local levels of government, the economic importance of the indirect tools such as tax incentives, or give a more reliable estimate of the overall share of government sources in the income of the Russian nonprofit sector changes in the statistical data base on the Russian nonprofit sector have to be awaited.

### **5.3. Composition of the tool kit**

According to Salamon most often cross-sectoral cooperation in the delivery of social services develops in search of a response to public frustration with the cost and the effectiveness of government welfare programs (Salamon 2002). In this respect Russia fits quite neatly into an international pattern (Jakobson & Mersiyanova, 2012). Our further discussion of the composition of the tool kit will be in a setting of international comparisons and aimed at evaluating the Russian policy innovations against an international background.

Governments apply instruments aimed at developing cross-sectoral cooperation to address public problems in many countries of the world. The array of such tools designed and applied internationally over several past decades has been summarized by Salamon and includes

grants, contracts, tax expenditure, vouchers, loans and loan guarantees, insurance, economic and social regulation and other means to deliver social services or goods through “third parties” instead of direct delivery by government organizations (Salamon 2002). The specific design of the individual tools, the share of welfare services provided by the nonprofit sector in cooperation with the government may vary substantially from country to country in view of the level of social and economic development, historic and cultural traditions leaving an imprint on the structure of the welfare sector (Ascoli & Ranci 2002). Beyond this the choice of tools may reflect government policy priorities (Salamon 2002).

The exploration of the composition of the current Russian government tool kit allows shows that its major components are comparable to established practices elsewhere in the world. The tools are focused on the declared strategic goal of the Russian government to strengthen its social policy by attracting nongovernment philanthropic funds and volunteer labor resources to augment its own efforts in the provision of social services (Government of the Russian Federation, 2009). International comparisons suggest that the design of the instruments as described above is such that the application of the tool kit is likely to result in increased cross-sector cooperation in the delivery of social services and in providing at least a partial cure for some of the four “voluntary failures” as defined by Salamon (1987). In this respect we would in particular highlight the combination of direct financial support in form of subsidies and grants and the social tax rebate stimulating mass fundraising campaigns by SONPOs. This combination creates favorable conditions for Russian SONPOs to overcome the “philanthropic insufficiency” by strengthening their ability to generate resources on a scale adequate enough to cope with the human-service problems they seek to address. A similar effect may be expected from the new tax incentives for charitable contributions to SONPO endowments provided as part of the Russian government tool kit discussed.

Another important element of the tool kit is the improvement in the terms and conditions for SONPO access to government and municipal contracts for social services. International experience suggests that this instrument has potentially the most profound impact on the development of cross-sector cooperation in the social sphere. An attempt at an early evaluation of the effectiveness of this instrument in the context of Russian local markets of social services has been undertaken by Suslova (2014). The results of her empirical exploration of the competitive bidding process in eight Russian regions where local government entered into social services quasi-markets suggest that the market presence of Russian NPOs remains limited. Among institutional factors potentially explaining this Suslova mentions “features of the competitive bidding process which inhibit access to the quasi-markets for nonprofits” along with the “insufficient maturity of Russian nonprofit organizations as social service providers” and

“their unwillingness to work as a government contractor” (Suslova 2014, p.15). These considerations lead us to believe that there is still room for improvement of the currently enacted contract tools.

The insufficient maturity of Russian nonprofit organizations as social service providers referred to by Suslova is a manifestation of philanthropic amateurism which is among the four “voluntary failures” identified by Salamon (1987). Information support, consultative assistance, government sponsored training programs for staff and volunteers enrolled by SONPO are measures aimed at increasing the professionalism of these organizations and thus at facilitating future cross-sector cooperation in the delivery of social services. Government institutions typically seek out nonprofit counterparts when nonprofit organizations are the best source of a particular service (US GAO 2009, p.7).

Overall the composition of the government tool kit enacted in Russia to support SONPOs in search of cross-sector cooperation is sufficiently coherent when viewed against a background of international comparisons. It may be expanded in the future. Globally there exists a much broader variety of funding mechanisms to achieve national social policy priorities through partnerships between government institutions and nonprofit organizations. Some of such instruments may well be applied in the Russian national context. This relates for example to government loans and loan guarantee mechanisms broadly used in many countries in the delivery of higher education services. The present composition is focused on measures fostering government-nonprofit cooperation while opening only modest opportunities for the involvement of the market sector as a partner. Innovative new models for financing social objectives in other countries increasingly include market sector partners and tools patterned from the realm of corporate finance, e.g. private equity, barter arrangements, social stock exchanges, bonds, social secondary markets, and investment funds etc. (Salamon 2014) .

## 6. Conclusion

In this paper we considered a set of government measures to support SONPOs enacted in 2009–2013 in Russia. The analysis was implemented within a theoretical framework provided by the tools of government approach as developed by Salamon. This theoretical framework facilitated the assessment of the measures as a means to bolster cross-sector cooperation in the provision of social services using international comparisons.

The findings presented in this paper show that the design of individual tools and the composition of the tool kit provide for the achievement of the declared strategic policy goal to attract nonprofit actors and their resources to the improvement of social policy in Russia. These

tools address a significant segment of the Russian nonprofit sector potentially covering up to 70% of the number of active NPOs. The legal definition of SONPOs targets government support at legal entities within the nonprofit sector which by international standards qualify as charities or public benefit organizations and count elsewhere in the world as preferred institutional partners for government – nonprofit cooperation in the delivery of social services. The application of these support measures, individually or in combination, is likely to result in increased cross-sector cooperation capable of providing innovative solutions to social problems.

To include an economic dimension into the discussion we have viewed the government support presently provided to NPOs in Russia against the background of the overall government effort in the social area. The available data suggests that this support so far looks like a pilot project of the Russian government. Similarly, within a framework of international comparisons the economic dimension of the government support for Russian NPOs appears modest. However even at its present size government funding for SONPOs appears quite significant against the background of the present scope of the Russian nonprofit sector.

The present tool kit may be expanded to include a much broader variety of funding mechanisms to achieve national social policy priorities through partnerships between government institutions and nonprofit organizations. Beyond that both theory and international practices provide evidence of the need to develop innovative models for addressing social objectives which include market sector partners and tools patterned from the realm of corporate finance. Such issues might become focal points for future research.

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