Grant Support as an Option for the Solution of Specific and Systemic Problems in the Activities of Non-Profit Organizations

The existing practices for the participation of non-profit organizations (NPOs) in solutions for social policy problems both in the Western world and in Russia are reviewed in this article, and a comparative analysis of the Russian and foreign experiences in this area is performed. A separate section of the article is devoted to studies of the grant support system for non-profit organizations in Russia. Systemic and specific problems are revealed. Conclusions are made on the imperfections of the evolving system for the interaction between the state and non-profit organizations, particularly in the area of project financing, as well as on the necessity for creating the conditions for the distribution of successful “pilot” projects by individual non-profit organizations within the entire territory of Russia.

**Keywords:** non-profit organizations, patient organizations, grant, financial stability, social policy, international experience

**Keywords:** некоммерческие организации, пациентские организации, грант, финансовая устойчивость, социальная политика, международный опыт
INTRODUCTION
An understanding of the historical period to be taken as the baseline for the establishment of the non-profit organization (NPO) institution in Russia is associated with difficulties in the definition of this concept, as well as the concept of a civil society and the interrelation of these concepts with regard to Russia. It should be noted that according to the opinion of Y. Degaltseva, this process traces its roots to the 18th century. According to M. Weber, in the Western world the NPO system began to form due to the rapid development of Protestantism and the Protestant ethic. In Russia the process was interrupted for a long period, and the first non-profit organizations in analogy with the Western type appeared in the USSR only at the end of perestroika. The Russian non-profit organizations obtained the regulatory basis for their activities only in 1996 upon enactment of the Federal Law on Non-Profit Organizations. It is obvious that the Russian NPO institution is still too young, and the gap with the leading Western practices of NPO participation in state social policy is sometimes quite significant. At the same time, there is seemingly nothing fatal in this situation, and the Russian NPO system is merely retracing the same path as Western countries in many aspects, with all the same mistakes and drawbacks.

In this article we will present the foreign experience of NPO participation in state social policy, perform a comparative analysis of the foreign and Russian NPO systems and also discuss the situation regarding the grant financing of non-profit organizations in Russia in more detail.

ON THE MODERN UNDERSTANDING OF PHILANTHROPY: NON-PROFIT ORGANIZATIONS AS AGENTS PROVIDING PUBLIC GOODS
Prior to discussing the issue of grant support in the non-profit sector, we will try to systematize the basic concepts to be used. Academic studies of philanthropy assume a comprehensive definition of philanthropy itself, but there is no universal definition. Philanthropy originated in Ancient Greece, and this concept has been continually subjected to the reflection of scholars ever since. The origins of academic studies of philanthropy are described in more detail in the comprehensive paper by M. Sulek.

At present the definition by L. Salamon (1992) is the most common definition of philanthropy. He defines philanthropy as the “provision of private time or values (money, safety, property) for the public purposes”. Then he characterizes philanthropy as “one of the income forms for private non-profit organizations”. Taking into account this definition, we understand philanthropy as the spending of private funds for public purposes. At the same time, some historians point out a fundamental difference between “Christian charity” and “scientific philanthropy”. This difference became obvious in the Western world as early as the 19th century. In the simplest terms, “Christian charity” always “gives fish”, while “scientific philanthropy” goes further and gives “a fishing rod”, always striving to eliminate the root causes of social problems in order to ensure their consistent solution. Although few people remember and discuss it nowadays, the entry of foreign funds such as the Soros Foundation and the MacArthur Foundation into post-Soviet Russia particularly helped to preserve the Russian study of fundamental science in many aspects, including fundamental studies in the area of medicine. At present, the private foundations of Vladimir Potanin and Michael Prokhorov have taken up the baton. It is primarily promising projects capable of contributing to systemic changes in social problems, as opposed to salaries, which are financed. Thus, Russian non-profit organizations are mainly involved in the “scientific philanthropy” paradigm, essentially acting as the agents between grant makers, donators, philanthropists and their target audience in need of support. In general, non-profit organizations may be called “the agents” for the provision of public goods. The scientific philanthropy paradigm has its definitive advantages. This is especially true for the category of people with mental development disorders and history of mental illness. In this vein, attended employment projects are commonly considered the most promising nowadays, and these involve “giving a fishing rod”. However, the NPO support system in Russia is still at the stage of formation, and there are some contradictions to be further described in more detail.

The rehabilitation of patients with psychiatric experiences by the efforts of non-profit organizations originates from early 1959, with the establishment in the US of Fountain House, a famous international organization.
organization introduced the concept of a clubhouse. This project is interesting because it is actually a patient community for people with mental disorders. These are usually day centres where some activities are provided. As a rule, a person with a diagnosis is highly stigmatized and seeks support from the reference group of his/her kind, where everything is simple, and they will always be welcomed with all their unique traits.

The concept of a clubhouse is based on the well-known communist principle: “from each according to his/her ability, to each according to his/her needs”. Any patient who signs up to the clubhouse rules and accepts its charter may come to a clubhouse. These are usually patients without any obvious acute conditions, but they can have different degrees of functionality. Some of them only sit in the corner silently watching what is happening, whereas others are already willing to be engaged in certain creative activities: plasticine sculpture, embroidery or painting.

The concept of supervised employment originated particularly from these conditions, and self-help groups also began to function there. Canteens or coffee shops and small souvenir workshops where more functional patients worked usually operated in these houses. The coffee shop products were used for the needs of the clubhouse itself and could also be for sale. In these cases there were no strict procedures for the formalization of employment relations or workplace discipline. The only thing to be prescribed was the interchangeability of the patients, and in the case of any exacerbation in the condition of any worker his/her friend would help. Self-help groups began to function in accordance with the same principle. If it was observed that any patient was “lost” and had not appeared for a long time, his/her faithful companions would visit him/her at home. If necessary, they persuaded him/her to consult a doctor or even to take a course of treatment in the hospital. This clubhouse model became so popular over time that it spread across the entire territory of the US, and then global expansion began.

This model came to Russia in the 1990s. In particular, the Neva Clubhouse functioned for a long time in St. Petersburg, before it was liquidated due to changes in the social, economic and mainly political situation. At present, similar patient rehabilitation centres function only in Moscow, Arkhangelsk and Angarsk. The clubhouse model is partially implemented by some Russian non-profit organizations in an abridged form; however, a clubhouse is not only a format but also a certain philosophy — the philosophy of equality and mutual assistance, a departure from the objectification of disabled people with the phrase “our fellows” which has already become traditional, and a philosophy which includes the mechanisms for the development of personal responsibility for oneself and the people around, as well as excellent parameters for rehabilitation and social reintegration. Perhaps Russian society and the Russian third sector are not yet ready for the implementation of this model, although there has been a certain amount of progress which is bound to inspire.

THE SCANDINAVIAN EXPERIENCE

We have already mentioned the origin of the very idea of rehabilitation for disabled people with mental disorders by the efforts of non-commercial organizations within the framework of clubhouse programmes in the US. The subsequent European experience (primarily in Northern Europe) is also quite interesting. We will review the situation in Finland in more detail.

The development and transformation of the public health system in Finland resulted in considerable social changes. According to Hélen and Jauho, extensive networks of non-profit organizations in the area of public health and social security existed as early as the period of the Second World War. However, the institutionalization of the NPO system in the country took place only in the 1960s-70s. The rapid expansion of non-profit organizations in the 1990s was due to a shift in mindset with regard to social policy. More than 2,000 non-profit organizations were established across Finland within a decade.

It is important to note that non-governmental organizations in the area of public health hold 20% of the entire social service market in the country and receive the maximum payments from the budget within the framework of the medical insurance system. Direct allocations from the public health budget of the country are the second source of NPO financing in Finland. Aside from financing, the important role of non-profit organizations in both the development of legislative initiatives and the shaping of the public health policy by the relevant governmental authorities should be noted.
The significant role of non-profit organizations in Finland is due to the existing legislative base, primarily the Public Health Law (1972). In accordance with this law, the public health system is within the jurisdiction of the local authorities. Although some municipal bodies may manage hospitals independently, the majority do it in cooperation with other municipal bodies. The national system includes 278 health centres and 55 hospitals serviced by 20 health care districts. Based on the data by G. Wamai, we present a table on the public health system structure in Finland (Table 1).

As can be seen from the table, 20.6% of the hospitals without any bed capacity are within the jurisdiction of non-profit organizations, and the proportion of the medical personnel in the “third sector” is 5.3%. As far as Russia is concerned, the system for the provision of social services by the efforts of non-commercial organizations is perhaps an exception to the rule, and the share of non-profit organizations in this service market is so small that it does not represent statistically significant figures. We will review the situation in Russia in more detail below.

THE SITUATION IN RUSSIA
Comparing the situation in the non-profit sector in the Western countries and Russia, A. Kochetkov notes that “the non-profit organizations in the social sector are much more developed in the Western world than in Russia as the relations between the third sector and the state in the Western countries are of systemic character”. This is due to the absence of any serious financing of the third sector in Russia and the scepticism of the majority of Russian citizens with regard to the possibility of solving socially significant problems via interaction with non-profit organizations. Civic engagement of the public is low. This is caused by the incompetence of many civic activists and a lack of recognition of their activities.

The volunteer movement in Russia is still developing and rather centralized, in comparison to the West European countries, where the independent civic engagement of the public is considerably higher. This is largely due to the centuries-long culture of non-governmental organizations in the social sphere and the confidence of citizens regarding the possibility of the efforts of these organizations having a real influence on the solution of socially significant problems.

The number of non-governmental organizations in Russia has been increasing in recent years. The Civic Chamber of the Russian Federation and the regional Civic Chambers are also developing. The Public Councils of the Russian Association of Mental Health Professionals and the Chief Psychiatrist of the Russian Federation are functioning successfully. According to the data of the Federal State Statistics Service, the number of volunteers is growing annually. The case of the #WEARETOGETHER competition, which transformed from an award in the area of volunteering into an international competition in 2021 and collected thousands of volunteers of various ages under its standards, is illustrative in this sense. At the same time, we are still behind Europe; according to A. Kochetkov, “not more than 10% of the public are engaged in volunteer activities. They are mainly students due to availability of sufficient spare time and increased mobility”. It can be stated that at present Russian society has adopted none of the social sphere arrangement models functioning efficiently in the Western countries.

As far as the mechanism for financing NPOs in Russia is concerned, nowadays the state supports non-profit organizations in four areas: (1) grants — special purpose funds provided to non-profit organizations free of charge and without repayment for the implementation of socially significant projects. Such support at the federal level is primarily provided by the Presidential Grants Fund, which has recently established regional operators for

| Table 1. Public health infrastructure in Finland |
|-----------------|--------|---------|--------|---------|--------|---------|
|                  | Municipal | University | Total | %  | Private | Quantity | %  | NPO | Quantity | %  | Total |
| Hospitals (without any bed capacity)  | 55      | 5        | 60    | 58.8 | 21        | 20.6 | 21 | 20.6 | 102 |
| Health centres (without any bed capacity) | 278    |          | 278   | 99.6 | 1         | 0.4  | 1  | 0.4  | 279 |
| Hospitals — bed capacity              | 17.171  |          | 41.081| 95.9 | 1.760     | 4.1  | 1  | 4.1  | 42.841 |
| Health centres — bed capacity         | 23.910  |          | 127.632| 83.2 | 17.688    | 11.5 | 7  | 5.3  | 153.318 |
| Health care workers                   |         |          | 127.632| 83.2 | 17.688    | 11.5 | 7  | 5.3  | 153.318 |
grant competitions in order to provide local support; (2) subsidies — funds allocated for reimbursement of the current targeted expenditures of organizations for their project activities; (3) contractual relations — the provision of orders for the supply of any goods, performance of works and rendering of services for any national and municipal needs. These relations between the state (the customer) and a non-profit organization (the contractor) are to be governed by the Public Procurement Law prescribing preferential participation terms for socially oriented non-profit organizations; and (4) the provision of tax privileges for both legal entities and individuals donating to non-profit organizations.

During discussion of the draft budget for 2021 and the planning period of 2022-23, the Civic Chamber of the Russian Federation noted a number of significant drawbacks in the drafting of the federal budget. A reduction in the financing of projects related to the support of non-profit organizations in the area of social services and civil society and a considerable reduction in the financing of national projects and governmental programmes were specified. Under the conditions of the COVID-19 pandemic and lockdown, the government of the Russian Federation compiled two registers of non-profit organizations entitled to obtain the implemented support measures. The first register included the organizations that had obtained governmental support within the last three years (particularly the Presidential Grants), and the second register included organizations not specified in the first one but requiring support because of serious losses during the pandemic.

A special purpose unscheduled competition of the Presidential Grants Fund was held to support socially oriented non-profit organizations during the lockdown and pandemic. There were 900 organizations that won the competition. The total amount of the presidential grant within the framework of this competition was ₽2,000,000,000. However, the social demand for the support of socially oriented non-profit organizations is continuously increasing. Additional support measures will be implemented for non-profit organizations and volunteers, enabling them to provide assistance in this area.

Non-profit organizations in the Russian Federation rely on their own financial activities and private donations, but a considerable number of non-profit organizations prefer to work with grants. This approach is especially justified under the crisis conditions. Unfortunately, there are no up-to-date data for the crisis year of 2020, but we will present comparative data for 2013 and 2014. While in the pre-crisis year of 2013, 55% (or 555,200,000 USD) was donated by individuals, 38% (or 381,800,000 USD) by companies, and only 7% (72,500,000 USD) by funds, the pattern changed considerably during the crisis of 2014: 29% by funds, 55% by companies and only 16% by individuals.

In 2020 the NPO financing structure again underwent changes due to an increase of financing from funds, which was evidenced by the experts stating that the inflow of corporate donations had reduced in the ideal case or even stopped completely during the pandemic. Thus, grants remain the most sought-after source of financing for non-profit organizations during crisis periods.

**GRANT SUPPORT OF NON-PROFIT PROJECTS IN RUSSIA: OPPORTUNITIES AND THE FINANCIAL STABILITY LIMITATIONS OF NON-PROFIT ORGANIZATIONS**

Our work includes the experience of efficient interaction between the All-Russia Society of Persons with disabilities (ARSP) “New Choices” in St. Petersburg and the donator (the Presidential Grants Fund). Activities of the ARSP “New Choices” have been aimed at interaction with the families of patients since 2001, particularly for the creation of informational and psychological resources in order to cope with mental disorders and their consequences.

The activities of the same organization in St. Petersburg, within the framework of the project supported by the Civil Society Development Presidential Grants Fund of the President of the Russian Federation, became a logical extension of the activities carried out at the previous stages of the organization’s work. This project was called “Informational and Psychological Support for the Relatives of Persons with Mental Disabilities as the Component of Social Adaptation for the Family in the New Status” (grant contract number 18-1-002037). The activities were developed in four basic areas: (1) informational support for the relatives of persons with mental disabilities via the Internet, (2) online consultations with a mental health professional, (3) regular face-to-face informational psychoeducational seminars for relatives and (4) face-to-face group work with a psychologist for the relatives of persons with mental disabilities containing elements of art therapy.
However, there are many examples of our applications and personal participation in grant competitions that we failed to win for any reason. A review of our failures and of the study performed by the CAF Charity Fund in 2020 upon the initiative of the Association of Socially Oriented Non-Profit Organizations “All Together Charity Community” has enabled us to identify the main problems occurring in the course of interaction between the funds and the grant recipients.

**SYSTEMIC PROBLEMS:**
- the NPO market is growing, and the “profit” from charity donations is often obvious; so, dozens of detractive non-profit organizations and individuals appear, defaming this area of activities considerably
- the popularity of “digital begging” is rapidly growing, where donations are requested in a manipulative form at the drop of a hat. The purpose for which the donations are spent is not always transparent, thus also defaming the very idea of such help.

The market mechanisms in Russia are still imperfect in general. The mechanisms for regulating the charity market in Russia or “the capitalism of good deeds” are also imperfect. It is no secret that the efficiency criterion still remains the main criterion within the framework of market relations. That is why each fund wants to know how much public good and charity is provided per each spent ruble. The funds are not interested in financing any project which does not comply with the stability criteria; it is not in the best interests of the funds to finance any projects with an uncontrollable efficiency measurement system. The most unusual point is that there are no National State Standards for charities at present. No systemic activities are carried out in this area as yet. The conditions are such that each non-profit organization will develop its own National State Standard from ground zero. As the “rules of the game” are not clear, everybody will interpret them differently. We will identify specific problems in the interaction between non-profit organizations and the funds below.

**SPECIFIC PROBLEMS**

**Stigmatization among the donators of non-profit organizations associated with mental disorders.** Various regional centres support many useful projects willingly and routinely: the prevention of HIV infection, the development of culture and cinematography and the employment of schoolchildren in summer and their recreation, as well as single mothers, orphans and different groups of disabled people (with impaired hearing, vision or locomotion systems). On the contrary, non-profit organizations supporting disabled people with mental disorders often cannot rely on any regional subsidies. Granted activities in this area cannot be demonstrated and promoted as widely as assistance to any other non-profit organizations; this subject is often “third-rail”, as is the case for hospices, or help for critically ill and incurable patients. There is a lack of property support for non-profit organizations in the area of mental health. They often receive “subsidized” premises without proper working conditions. Due to the individualities of the NPO activities, rather uncommon problems often occur that are difficult to solve within the framework of general rules and require a personal approach. But many grant programme managers of the major funds are not involved in the agendas of these non-profit organizations and not ready to delve in to solve the problem.

**The terms of grant competitions.** These are often similar with regard to requirements for the budget and areas of expenditures acceptable for the projects. But the activities of non-profit organizations can differ to a great extent; for example, some non-profit organizations provide services to target groups, and others arrange large-scale events, etc. There is no clear understanding of the criteria established by the donor for the grant activities.

**Marginal determination of the salary rates for grant projects.** Expenditures for human resources, i.e., the salaries of people working every day to make the social changes possible, are one of the most important budget items for many non-profit organizations aimed at long-term outcomes. At the same time, donators often raise artificial obstacles for financing these expenditures. The terms and conditions of competitions often contain formal restrictions with regard to remuneration, the rental of premises and other administrative costs in the project budget, as well as to the salary rates that may be paid from the granted funds. The organizations have to use indirect schemes and be evasive in order to comply with the competition terms, thus resulting in a lack of trust between the donator and the recipient. The applicants try to specify low salaries in the application, and then raise additional funds in other ways.
Non-profit organizations also lack the resources for organizational infrastructural development because such competitions are very rare. Sometimes the grant recipients find themselves in the position of a pleader, and the competition supervisor treats them as if they have wasted his or her personal money. In this case non-profit organizations do important social work — sometimes work which the governmental organizations would not undertake for any reason (and if they undertook it then it would certainly be much more expensive). At times, the non-profit organization and the supervisor spend too much effort, time and other resources on such difficult communication.

**Co-financing problems.** The co-financing of projects is required in the majority of grant competitions. On the one hand, it is clear that the donator wants to know that he/she is not alone in investing the money into the project. But 46% of the surveyed non-profit organizations note that the conditions with regard to raising funds in the form of co-financing seem difficult for them, and they often have to invest their own money/resources. In the majority of cases it turns out that co-financing in NPO applications means the organization’s own resources, such as their premises, the labour of volunteers, etc. In some very rare cases non-profit organizations have and can demonstrate co-financing from other donators. Our activities are not annual. In 90% of cases co-financing is the voluntary labour of the non-profit organization itself.

**Absence of clear criteria for inclusion into the grant programme.** Situations often occur with the grant applications when one and the same project is evaluated differently within the framework of the same competition. Things are becoming even more complicated due to the fact that the majority of donators fail to provide any feedback to applications and do not explain the reasons for refusal. As a result, many non-profit organizations (more than half of them according to surveys) do not understand why they have been evaluated in one way and not another.

**Impact of inflation and long application review periods.** Sometimes (especially in the regional competitions) non-profit organizations have to re-approve plans and budgets. The detailed plan and budget have to be submitted at the stage of application, but time delays require the introduction of certain adjustments into the budget due to existing inflation, and then the approval procedure starts again.

**Grant administration.** This takes a lot of time and resources: non-profit organizations often face the formal or non-professional attitudes of the managers on the part of the donator. The requirements for reporting are constantly increasing. The reporting stage raises the majority of questions among non-profit organizations. The problem is increasing from year to year, with more and more documents and reports required. This increases the administrative burden on the non-profit organizations for grant servicing. The requirements for reporting often seem formal and pointless, and do not correspond to project activities, such as requirements for photos of the persons under care, photographic reports on the number of any event participants, etc. Sometimes the donators impose absurd requirements, such as demands for the personal data of the recipients, requests for photos of dinners at the events, or attempts by their representatives to attend the personal meetings of the recipients with psychologists, etc. For instance, there are known cases where the granting organization expressed a wish to attend the psychologist’s consultation in the course of individual work in order to control the NPO activities.

The activists propose to adopt a targeted programme for the support of civic initiatives and socially oriented non-profit organizations and register the new support measures in it. It is also proposed that the authorities involved in the interaction with non-profit organizations delegate to a single decision-making centre for non-profit sector issues.

In addition, it is also proposed that a single co-working space with convenient furniture, flip charts and projection units in each large city or provincial capital for volunteer conferences, training seminars and meetings with the beneficiaries of various non-profit organizations be arranged.

**CONCLUSION**

In this paper we identified some difficulties in the establishment of the NPO institution in Russia. It is obvious that the state has great hopes for the development of social institutions. At the same time, the main problem remains unsolved — whether non-profit organizations are capable of taking up at least some functions of the state for solving social policy issues. Unfortunately, successful cases of projects for attended accommodation, employment, etc., still remain non-recurrent and unique.
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successful cases (functioning under specially arranged “pilot” conditions). The problem is related not only to the lack of experience among non-profit organizations but also to the absence of any elaborated legislative basis in the Russian Federation capable of “recording” the main problems of disabled or health-impaired people and the fair distribution of various financial resources for consistent social support of such people at different levels. Non-profit organizations can implement pilot projects that may be expanded later subject to systemic support from the state.