

## Governmental economic policy and development of the third sector in Russia

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In any country the development of nonprofit organizations substantially depends on the governmental policy with respect to the Third Sector. Especially it concerns the countries which not so long ago lived under conditions of authoritarian political regime and planned economy. Russia is classified with such countries.

Till present the state in Russia keeps a large share of national wealth and still produces extremely high impact upon all fields of public life. It is caused to a large extent by the weakness of the civil society which is still at the stage of its formation in many respect. There is a specific paradox in this field. Reinforcement of the civil society and relative restraining of omnipresent governmental influence can be achieved with the help of the Third Sector. However, the latter urgently needs legal and economic support from the state.

In Russia the interrelations between nonprofit sector and the state are forming in rather a contradictory manner. For instance, it is reflected in inconsistent fiscal policy which will be cited below. However, some decisive positive steps have been already made. Among them is mainly formed legal base regulating creation and operation of nonprofit organizations.

### The Scale of the Third Sector

In Russia the Third Sector was formed under extremely unfavorable economic conditions. Transition from the planned to the market economy was accompanied by substantial downfall of GDP production, reduction of revenues and expenditures of the state budget, including expenditures for social needs. In 1995 the GDP constituted 65.5% of 1991 level. Over the same period the state expenses for social issues expressed in real terms including costs for welfare, public health, education and culture have reduced by 39% (1).

**Table. Number of Organizations by Economic Sectors**

	Number as of 01/01/95	% of result	Number as of 01/01/96	% of result
Overall number of legal entities	1946276	100.0	2249531	100.0

For-profit nongovernmental organizations	1348802	69.3	1579064	70.2
Governmental for-profit organizations	306982	15.8	328538	14.6
Governmental nonprofit organizations	188728	9.7	191480	8.5
Nongovernmental nonprofit organizations	101764	5.2	150449	6.7
including:				
Public and religious organizations, their institutions	46149	2.4	85824	3.8
Funds	3549	0.2	4103	0.2
Consumer associations	44375	2.3	51631	2.3
Other nonprofit organizations	7691	0.4	8891	0.4

Source: Goskomstat RF (the State Committee for Statistics of the Russian Federation).

Regardless of complicated conditions of transition period and economic crisis, the number of nongovernmental nonprofit organizations increases each year. Only in 1995 the number of voluntary associations, religious organizations and institutions created by them increased by 1.86 times. In early 1996 the overall number of nongovernmental nonprofit organizations amounted to 150.4 thousand (2).

As a whole, the Third Sector still produces non-substantial impact upon the economic development. An exception was formed by wide-scale activities of pseudo-nonprofit organizations - commercial structures operating under the cover of Charity Funds and enjoying individual tax and customs privileges. Such organizations are the National Foundation for Sports, the Foundation of Afghan War Disabled Soldiers, the Foundation for Building the Temple of Christ the Savior and others. The activities of the National Foundation for Sports set the most striking example. In 1992 - 1995 after receiving individual customs concessions this Fund became the biggest importer of alcohol beverages providing for 80% of their imports to Russia.

### **Principles of Governmental Policy**

As other post-socialist Central and East European countries Russia lacked any clearly defined governmental policy with respect to the Third Sector (3). However, a number of fields for supporting nongovernmental organizations was determined among the governmental policy tasks in the sphere of radical economic reform which started in 1992 (4):

- developing nongovernmental forms of servicing the population in the fields of public health, education, culture;

- granting tax privileges for sponsors and investors involved in the fields of education and culture including privileged taxation of incomes from the proper activities of educational institutions;

- creating conditions for developing nongovernmental educational structures, privatization of educational institutions;

- stimulating nongovernmental culture organizations' activities.

However, these objectives have remained declared but not implemented. The state has failed to carry out any consistent policy with respect to the Third Sector or its segments. The following major factors have influenced activities of governmental authorities in the field of support and control of nonprofit organizations' development:

- 1) macroeconomic situation as well as the policy of financial stabilization and reducing budgetary deficit carried out by the state;
- 2) pressure of well organized special interest groups (religious organizations, creative associations, disabled persons organizations) aiming to receiving and preserving tax privileges;
- 3) establishing and using by some organizations the political and economic contacts with the heads of executive bodies in order to obtain individual tax and customs privileges, financial support and other preferences.

### **Legal Status of Nonprofit Organizations**

The legal basis of the Third Sector's functioning in Russia is mainly formed by the Civil Code of the Russian Federation (1994) and the law of the Russian Federation "On Nonprofit Organizations" (1995). Big role is also played by the federal laws "On Public Associations" (1995) and "On Charity Activity and Charity Organizations".

The authors of the present report have actively participated in preparation of the laws "On Nonprofit Organizations" and "On Charity Activity and Charity Organizations".

The Civil Code of the Russian Federation has stipulated two attributes of a nonprofit organization. First, such organization lacks extracting profits as the main purpose of its activity. Second, a nonprofit organization does not distribute profits among the persons participating in such organization.

According to the law "On Nonprofit Organizations", such organizations can be created for reaching social, charity, culture, educational, scientific and managerial objectives, in order to protect public health, develop physical culture and sports, satisfy spiritual and other non-material needs of the citizens, defend rights, legal interests of individuals and organizations, solve disputes and conflicts, render legal assistance as well as for other purposes directed for reaching public benefits.

The Russian legislation accepts creation of nonprofit organizations in various forms. The legal form of an organization characterizes mainly the specificity of property-based interrelations between it and its founders. However, other circumstances are also taken into account such as concrete objectives and essentials of its activity. Let us cite the list of the most important forms of nonprofit organizations stipulated by the Civil Code and the law "On Nonprofit Organizations" and indicate the key peculiarities of each form. The list comprises consumer cooperatives, public and religious organizations (associations), Funds, nonprofit partnerships, institutions, autonomous nonprofit organizations, associations of legal entities (associations and unions).

Consumer cooperative is a voluntary association of citizens and legal entities for satisfying material and other needs of its participants. A consumer cooperative is created on the basis of amalgamation of property share-based contributions of its participants. Consumer cooperatives are widely spread in Russia. For instance, these are garage, country house cooperatives and others.

Along with the cooperatives the public and religious organizations are voluntary associations of their members. However, only individuals but not legal entities can unite to form public and religious

organizations. Besides, according to the law, such organizations shall be created only to satisfy spiritual and other non-material needs of their members. And last but not least, the members of public and religious organizations do not preserve any rights for the property transferred to these organizations including membership fees. The jural relationship related to creation of public organizations are mainly governed by the aforementioned law "On Public Associations".

In Russia the term "Fund" is used in various meanings. Before the new Civil Code and the law "On Nonprofit Organizations" was adopted the name "Fund" had been used to designate many financial institutions created for receiving profits and having, for instance, the status of joint-stock companies. However, according to the aforementioned laws, a Fund as a special form of nonprofit organization, definitively, has no right to distribute profits. A Fund lacks membership, it is created on the basis of voluntary property contributions. Its founders shall lose all rights for the property transferred to a Fund. A Fund is supposed to follow social, charity, cultural, educational and other objectives of public benefit.

In the aspect of property jural relationship there is much in common between a Fund and an autonomous nonprofit organization. It is assumed, however, that the latter directly produces and provides services in the sphere of education, public health, law, etc. As to the Funds, their function consists rather in accumulating financial resources and offering allowances, grants, etc. A Fund is supposed to be first of all involved in distribution, and an autonomous nonprofit organization - in manufacturing. For instance, it is appropriate to create nongovernmental nonprofit pension Funds. At the same time, an independent school or a hospital is expedient to be created in the form of an autonomous nonprofit organization. However, actually the Russian legislation fails to define the above indicated differentiation in clear manner.

Main peculiarities of such form as nonprofit partnership are in the fact that such organization is created in order to render assistance to its members in reaching nonprofit objectives. At the liquidation of organization or while leaving the membership its former member can receive a part of its property. To put it differently, the contributions in nonprofit partnership are far from being irretrievable. That distinguishes this type from other forms of nonprofit organizations. Introduction of nonprofit partnership form is supposed to affect the creation of the Third Sector organizations and make it more attractive and less risky for individuals and legal entities. At the same time, the law stipulates that a member of nonprofit partnership can not obtain more resources through it than he/she has invested. To put it differently, a member of nonprofit partnership is not allowed to receive profits, because it would contradict the nature of a nonprofit organization.

An institution is a nonprofit organization possessed by its founder. An owner shall partially or completely finance the institution and shall bear responsibility against its obligations as necessary. At the same time, an institution fulfills the owner's assignments and is subordinate to him/her. Therefore, an institution is less independent than nonprofit organizations of other forms. As to majority of institutions, they belong to the state or to municipalities and, therefore, are not classified with the Third Sector. However, an individual or a nongovernmental organization (for instance, a public or religious one) can be an owner of an institution (for instance, an educational institution created in this form).

Associations of legal entities shall be created for coordinating business activities of their members, presenting and protecting their joint interests. This form is appropriate, for instance, for organizations specializing in lobbying.

The law "On Nonprofit Organizations" in itemized manner governs the issues of creating, reorganizing and liquidation of such organizations. For instance, it is important that, as a rule, at the liquidation of a nonprofit organization its property left after satisfying the creditors' requirements shall be used for the purposes which this organization has been created for. Exclusions from this rule, for instance, transfer of the property remainder to the state are possible only in individual cases

which should be specially stipulated by federal laws.

### **Management and Control in Nonprofit Organizations**

Till recently the Russian legislation failed to determine any clear requirements to the management of nonprofit organizations. As a result of that many of them were in fact controlled by its own personnel and to large extent were orientated to maximizing salaries and wages. Now this drawback is corrected for the most part. The law "On Nonprofit Organizations" stipulates creation of collective superior management bodies for majority of nonprofit organizations forms. What is even more substantial, it fixes a list of problems which are subject to be solved only by such bodies. Among these problems are, for instance, determining priority fields of activities for such organizations, determining principles of forming and using its property, creating executive bodies of an organization and pre-term expiry of their power, confirming financial plans, annual reports and annual accounting balances. Creation of administrator's council is compulsory for the Funds.

The members of a nonprofit organization's superior control body shall have no right to receive from it the remuneration for executing their functions except for the compensation of expenses directly related to participation in the work of this body.

The law implies nonprofit organizations to carry out accounting and statistical analysis, to submit necessary information to taxation bodies, their proper founders and other persons. The size and structure of revenues and property of a nonprofit organization as well as the data on its expenditures, number of employees and voluntary workers, remuneration of labor can not be an object of commercial secret.

The Russian legislation imposes responsibility to the state and grants authorities to it in the field of nonprofit organizations activities' control. If an organization commits an action contradicting its commercial status, a body which has registered it can issue a written warning, or a procurator can make presentation on eliminating law infringements. If there are more than two warnings or presentations, it is possible to bring an action on liquidation of this nonprofit organization.

### **Charity Organizations**

Charity organizations constitute a special type of nonprofit organizations. They are governed by all provisions of the law "On Nonprofit Organizations" and, at the same time, by a special law "On Charity Activities and Charity Organizations". Its core is to make higher demands for charity organizations in comparison with other nonprofit ones but due to this fact to create prerequisites for giving them additional advantages, for instance, granting tax privileges.

The law determines charity activity as a voluntary activity of individuals and legal entities in the field of disinterested (without compensation or on preferential basis) transfer to individuals or legal entities of the property including monetary funds, disinterested carrying out works, rendering other assistance. The law guarantees right to run for charity activities without restrictions on an individual basis or in a union with creation or without creation of special organizations for this purpose. If a nongovernmental nonprofit organization is created for carrying out charity activities, it shall receive the status of charity organization. Such organization can carry out charity activities to the interests of the society as a whole or certain categories of persons.

Any charity organization must have its collective superior management body the members of which shall fulfill their obligations as volunteers. Superior collective body may comprise not more than one

officer working in the organization's executive structures. The members of a charity organization's superior management body and its executing officers shall have no right to occupy established posts in the administration of for-profit and nonprofit organizations founded with participation of this charity organization.

The law stipulates a number of specific restrictions for using the property of organizations created for charity purposes. For instance, these organizations shall have no right to use their funds for supporting political parties, movements, groups and campaigns. For remuneration of labor of its administrative and managerial personnel an organization can spend not more than 20% of the overall amount spent throughout financial year. With the exception of specific cases stipulated by the law, not less than 80% of each charity donation shall be spent by an organization for its main purposes within the term not more than a year since the moment of receiving such donation. This provision has been introduced, because earlier there had been a wide-spread practice of placing substantial part of donations in bank deposits and securities. A founder of a charity organization can not buy from it or sell to it any goods or services under conditions which are more favorable than transactions with other persons or entities.

To provide for the interaction between charity organizations on the one hand and governmental and municipal bodies on the other hand, the councils or committees supporting charity activities may be created. They comprise members of authority bodies, charity organizations and wide public. Definitely, the resolutions of these bodies are of recommendation character. They shall have no right to impose a dictate over charity organizations. At the same time, they are really able to render assistance to their activities. For instance, in 1996 such a body was created in Moscow.

### **Regulating Economic Activities of Nonprofit Organizations**

Under conditions of reduction of real incomes of the population and high taxation level which make enterprises to hide their incomes as well as underdevelopment of sponsorship traditions, the incomes from their proper economic activities, i.e. manufacturing and marketing goods and services become especially important for nonprofit organizations. In Russia as well as other countries of Central and Eastern Europe the issues of regulating such activities are widely discussed in public (5).

Till 1995 the economic activities of nonprofit organizations have not been restricted in Russia. To receive profits, many organizations have started to develop economic activities not related to their main declared objectives. Presumably, those were commercial and intermediate transactions. According to the poll of 157 nonprofit organizations in 5 Russian regions carried out by O. Alexeyeva in 1994 - 1995, 14% of nonprofit organizations directly render their services to the population for payment, 35.6% of organizations are involved in other types of economic activities (6).

Lack of regulation of nonprofit organizations' economic activities has caused many cases of abuse. Mass media has discussed large number of situations when under the cover of charity organizations the wide-scale business activity was deployed, and the revenues from it only to a very small extent served to fulfill main objectives determined in the organizations' charters.

While discussing draft laws on charity activities and on nonprofit organizations, the following opinion has been expressed: maybe it is better to prohibit to nonprofit organizations to run for any business activities in general? However, such a solution would be incorrect under conditions of transition period. Now for many nonprofit organizations carrying out economic activity is a necessary condition for survival.

The new Civil Code which came in force since 1995 restricted such activities. A provision appeared

stating that nonprofit organizations shall have right to carry out only economic activities conforming to their purposes and inasmuch as that allows to reach objectives for which they have been created. However, such legal norm is rather unclear. In fact, it leaves to the discretion of taxation bodies which supervise the organizations' economic activities the problem of determining conformity or non-conformity of economic activity to the organization's objectives. The law "On Nonprofit Organizations" adopted in late 1995 specifies the above indicated principle. The law comprises a provision stating that economic activities conforming to its purposes for the sake of which a nonprofit organization has been created are as follows: producing goods and services yielding profits and conforming to the purposes of organization's creation as well as buying and selling shares, securities, property and non-property rights, participation in economic associations provided profits from their activity is used according to the order which does not contradict requirements of the present law (applied to the general order of management and control of nonprofit organizations).

### **Fiscal Policy**

Fiscal policy has poorly stimulated the Third Sector's development. In the countries of market economy the fiscal policy is usually differentiated with respect to for-profit and nonprofit organizations. In Russia the privileges have been granted depending on branch affiliation of organizations and the source of their financing. The greatest tax privileges exist for organizations of disabled persons and for religious organizations. Substantial tax privileges are granted to educational and cultural organizations including commercial ones. With this respect governmental organizations enjoy more tax privileges than organizations belonging to the Third Sector.

The following tax privileges have been established for nongovernmental nonprofit organizations.

The following entities shall be exempt from tax on profits:

- religious organizations;
- public associations of disabled persons;
- creative associations;
- voluntary associations of hunters and anglers;
- museums, libraries, Philharmonic Societies (this privilege was valid since 1993 till 1995);
- educational organizations; with this respect the resources earned by educational organizations are not subject to taxation only in case they are used for carrying out their principal activities.

The following services shall be exempt from value added tax:

- goods and services sold by public organizations of disabled persons;
- medical services;
- services involving care of sick and aged persons;
- services of religious organizations;

- educational services;
- services rendered by cultural institutions.

The incomes from other types of activities of nonprofit organizations shall be not exempt from value added tax.

The following organizations shall be exempt from payment for land:

- cultural institutions;
- organizations of physical culture and sports, tourism;
- nonprofit organizations of education and health care financed at the expense of budgetary funds or at the expense of trade unions funds;
- sanitary organizations for children;
- research institutes.

The property of the following entities shall be not due to taxation:

- religious organizations;
- public associations of disabled persons;
- national cultural societies;
- voluntary associations if they don't carry out economic activity;
- educational and cultural organizations (the property used solely for the needs of education and culture).
- research institutes.

The enterprises transferring resources to social and cultural institutions and for charity purposes have received tax privileges though they were small. By 1992 the amount of taxed profits have been reducing by the value of the respective contributions, but not more than by 1% of its overall volume. Since 1992 this limit was raised up to 2%, since 1993 - up to 3%. In 1994 a privilege with respect to tax on profits worth 5% was introduced. It applies only to the donations to governmental cultural organizations and to creative associations and Charity Funds founded for rendering assistance in overcoming consequences of Chernobyl nuclear power station disaster. In 1991 - 1995 the incomes of for-profit organizations owned by Charity Funds and creative associations and used for charter-based activities of these nonprofit organizations was not taxed. Since 1996 such privilege was left only for the enterprises owned by creative associations. Lobbying groups affiliated with creative associations have defended their special interests more successfully in comparison with charity organizations.

So, peculiar features of the Russian fiscal policy in the period of transition were as follows: lack of clear distinction between the forms of legal entities acting in the social sphere, granting privileges depending on the branch-based affiliation type, a certain discrimination of nongovernmental nonprofit organizations in comparison with governmental nonprofit organizations. Partially it can be



explained by the fact that till 1995 the legal status of nonprofit organizations was not clearly defined. Therefore, commercial and nonprofit sectors in the branches of social and cultural fields were not clearly distinguished. The cover of nonprofit organizations could be used and in many cases was really used by commercial structures in order to avoid taxation.

The first part of the new Civil Code which came in force since January 1995 and the laws "On Charity Activity and Charity Organizations" and "On Nonprofit Organizations" adopted in 1995 provided necessary legal conditions for forming nonprofit sector in economy, its development and carrying out straightforward and well focused governmental policy with respect to that sector. The laws adopted in Russia comprise restrictions for various nonprofit organizations' activities and determine the order of control over observing these restrictions. However, there have been no shifts in taxation policy yet. On the contrary, since 1996 nonprofit organizations were even deprived of the part of their tax privileges.

The tightening of fiscal policy was caused by the aspiration of the government to use all possible resources to increase budgetary revenues which reduce due to continuing shrinking of the gross domestic product. Curtailing privileges for nonprofit organizations was adopted "in a batch" with abrogation of other types of tax privileges.

Yet the government does not use in practice the forms of control over the work of nonprofit organizations which are additional with respect to previous ones and are stipulated by the legislation. For the functionaries it is much more convenient to solve the problem of abuse in nonprofit organizations enjoying tax privileges by mere elimination of such privileges but not by effective control over the purposes for which these organizations use funds accumulated by them.

### **Financing of Nonprofit Organizations by the State**

Under conditions of shrinking budgetary revenues in their policy with respect to the social sphere the federal, regional and local authorities have given top priority to preservation of existing network of state organizations of public health, education, culture and to financing of their activities. At the same time, as much as possible the local budgetary resources have been also used for economic support of nongovernmental nonprofit organizations. According to the above mentioned survey of O. Alexeyeva, 65% of organizations receive subsidies from the state. For 6% of organizations the receipts from the local budgets is a single source of their funds (7).

Nongovernmental educational institutions have been systematically financed from the state budget. The law "On Education" adopted in 1992 allowed to create nongovernmental educational institutions, established order of their licensing and governmental accreditation. In 1993 already 368 nongovernmental schools existed. In 1995 their number reached 525. However, that amounts to only 0.8% of the overall number of schools in the country (8). Throughout three recent years the network of nongovernmental institutes of higher education (universities) grew more intensively. At present they constitute 34% of the overall number of universities (193 of 566). However, only 5% of students study there (8).

Nongovernmental educational institutions which had underwent the state registration have received right for budgetary financing. The scale of financing is established on the basis of the standards determined per one student. Therefore, financing is effected proportionally to the actual number of students in a given educational institution regardless of its status. However, since 1996 the right for enjoying such financing was preserved only for those nongovernmental educational institutions which offer secondary education.

Since 1992 the Ministry of Culture of the Russian Federation attracts independent organizations for

implementing the federal program "Preservation and Development of Culture and Art". One can hope that such practice will be additionally stimulated by adopting a new law governing the issues of implementing governmental contracts for rendering social services (so called "social order"). At present draft of such law is being drawn up in the Russian parliament.

### **Special Interest Groups Opposing Development of the Third Sector**

For a long time the development of the legislation on the Third Sector was impeded by the policy of branch governmental management bodies. They were lobbying adoption of laws related to individual industries and mainly reflecting the interests of the state sector.

The character of interaction between the state authorities and nonprofit organizations is substantially influenced by inherited perceptions on interrelations between public structures and the state and by traditions of bureaucratic management. The functionaries aspire to deal with organizations which are subordinate to them, dependent on them and easily controlled. They treat all other types of organizations with suspicion. That hinders implementing the democratic forms and procedures of nonprofit sector support.

Development of alternative educational system, especially, the school education, has caused the opposition from some workers involved in the governmental educational system (9). On the one hand, the opposition was constituted by conservative pedagogical workers who believe the new educational institutions, as a rule, trying new pedagogical technologies and attracting the most skilled students and pedagogues are manifesting threat to their positions. On the other hand, that were the functionaries, because their economic interests as well as real financial potential of regional educational management bodies contradict the necessity to finance nongovernmental educational institutions which have underwent state accreditation.

### **Nonprofit Privatization**

Such actual issue as privatization in nonprofit sector should be specially highlighted. It is especially important for organizations belonging to the social and cultural spheres. Privatization could become an important factor for overcoming the total nationalization of this sphere, for harmonizing its structure. The situation and problems of privatization in this field were described in a report presented by T. Kliatchko and us at the ISTR Inaugural Conference, Pecs, Hungary, 1994 (10). The report comprised the following main conclusions:

1. In the social and cultural spheres the privatization was not wide spread. The fixed cases of such privatization often resulted in negative consequences: the privatized property started to be used for solving the problems which were very far from that sphere.
2. The workers of state and municipal organizations involved in the social and cultural spheres and respective branch managerial bodies treat privatization with great caution (such attitude is manifested by cultural organizations and bodies) or oppose it (educational organizations and bodies).
3. Underdevelopment of privatization in the social and cultural spheres in Russia is caused by a very narrow understanding of privatization fixed in the legislation and determining terms, conditions and methods of its implementing. The greatest drawback of such understanding is the fact that it fails to stipulate an opportunity to transfer state-owned and municipal property to nongovernmental nonprofit organizations.

Two years passed. Over this period the attitude to privatization in the social and cultural spheres did not improve. On the contrary, it became worse. That happened regardless of substantial promotion in forming the legislation which governs creation and activities of nonprofit organizations in Russia. This promotion was not accompanied by realizing the significance of nonprofit sector in solving various problems of social and economic policy.

In early 1995 the law "On Preserving the Status of Governmental and Municipal Educational Institutions and Moratorium for Their Privatization" was adopted. It stipulates introduction of three year moratorium for privatization of educational institutions of all the types including the entities of their manufacturing and social infrastructure (hostels, sport bases, medical institutions, cultural entities). For the same period it is prohibited to change the composition of founders of governmental and municipal educational institutions except for appending or replacing one authority bodies by the others. So, defending educational institutions from thoughtless and prompt privatization the legislators have in fact eliminated the possibility to carry out organizational and economic reforms in that sphere.

One should pay attention to the change of attitude to privatization from the branch public health managerial bodies which happened throughout two recent years. "Conception of Public Health Development in Russia" elaborated by the Ministry of Public Health and Medical Industry of the Russian Federation in fall 1995 comprises a proposal to introduce five year moratorium for privatization of health care institutions.

In our opinion, the total denial of the privatization opportunities in the social and cultural spheres is not justified. Instead of that it is necessary to elaborate forms and methods of nonprofit privatization. Such privatization is rather actual. It should become an important element of economic reforms carried out in Russia. At present the authors of this presentation are occupied by elaboration of forms and methods of such privatization taking into account the specificity of the Russian situation and foreign experience in this field (11).

### **Outlook for Governmental Policy Development**

Nonprofit sector in its modern sense has started to be formed in Russia only recently. In certain fields the adopted legislative instruments fix actually creating forms of interrelations between the state and nonprofit sector. However, in certain fields the legislation "outstrips" reality introducing norms which are poorly supported by experience related to using their analogs in real practice. They reflect perceptions on the desired reality of those who draw up the laws. That fact causes problems while implementing such norms.

It is possible to do much for development of nonprofit sector in Russia not only at the federal level but at the regional and local ones as well. That could comprise not only respective tax privileges but also preferential rent of buildings and premises being the governmental and municipal property, preferential use of services rendered by governmental and municipal organizations, etc.

To the great extent, the positive shifts in the governmental policy with respect to the Third Sector will depend on the level of organization and activity of nonprofit organizations in implementing collective efforts for protection of their interests.

### **Notes**

1) Analysis effected by the authors on the basis of the data of the State Committee for Statistics of

the Russian Federation (Goskomstat RF).

2) According to the data of Goskomstat RF.

3) Les E. The Voluntary Sector in Post-Communist East Central Europe. CIVICUS. Washington D.C., 1994. P.29.

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6) Alexeyeva O. Charity Movement: Russian Regions. Moscow: Charities Aid Foundation, 1995. Pp. 8, 11, 12. (In Russian).

7) Alexeyeva O. Ibid, p. 12.

8) Social and Economic Situation in Russia. 1995. Moscow: Goskomstat RF, 1996. P. 285 - 286. (In Russian).

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