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**NGOS' AND LOCAL BUSINESS' COLLABORATION FOR SOCIO-  
ECONOMIC DEVELOPMENT OF RUSSIAN REGIONS**

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***Abstract***

The article presents analysis of the directions and types of collaboration between public organizations and local business community as actors of socio-economic development of regions in modern Russia. The authors emphasise that regional socio-economic development as a result of not only state regulation and economic processes, but also as a result of the collaboration of the main actors of the socio-economic space, which are state, business and NGOs. The article is based on the results of a series of international sociological studies on the mechanisms of socio-economic development, conducted in two regions of Russia: Veliky Novgorod and Nizhny Novgorod. The in-depth interviews were conducted in both cities, small towns and rural places, which allows to get more detailed information and consider specific characteristics of different types of settlements and communities. Modern situation in Russian economy and existing mechanism of redistribution of funds among state budgets of different level, the shortcomings of the modern Russian tax system, and increasing number of Russian regions with a deficit budget create difficulties, constitute environment for the third sector organizations existence and their activities. The authors show that in the situation of reducing the share of state support for the third sector organisations, the importance of sponsors' financial support provided by local business community and received by public organizations is increasing.

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**Keywords:** Business, NGO, social and economic development.



## 1. Introduction

Please replace this text with context of your paper. The socio-economic development of regions in Russia is observed by a significant number of researchers. Many research projects and publications in this area are devoted to analysis of the role of the state institutions in the process of the socio-economic development regulation in Russian regions (Titov & Titov, 2009; Samarina, 2010; Sergeev & Bocharov, 2011; Burov, 2011; Gromova, Timofeeva, & Vasilyev, 2015; Bezdenezhnykh & Makenov, 2017; Kislitsyna, Cheglakova, Karaulov, & Chikisheva, 2017), as well as analysis of the economic factors of sustainable regional development (Plotnikov, 2010; Kormishkin, 2011).

While analyzing of socio-economic regional development, it is important to consider the significant aspect of increasing of living standards and quality of life of the local population (Rimashevskaya, Bochkareva, Volkova, & Korchagina, 2012; Rimashevskaya, 2013; Ivashinenko, 2014; Malkina, 2017).

The role of the third sector, NGOs due to the activity in the direction of the provision of socially useful services could be very significant in the field. There are many terms, which could be used to define organisations of the third sector: NGOs, NPOs, GONGOs, SONGOs, grassroots organisations, grassroots social service organizations, civic organisations (Kay, 2000; Hemment, 2012; Banks & David, 2012; Fisher, 2013; Nikula & Ivashinenko, 2017), depending of the goals of the research. In this article, the term 'NGOs' is employed to highlight the fact that these organizations were created by individuals or groups of people with no connections to government bodies, who established their organizations to meet their common needs; NGOs do not aim to be a profit organisations. The NGOs provide different kinds of social services like social, medical, psychological, pedagogical services, social assistance to children, the disabled, elderly citizens, people in difficult situations, social rehabilitation citizens with alcohol and drug addiction and a number of other" (Resolution of the Government of the Russian Federation, 2016). NGOs could also participate in public activities and tend to involve the local community in the process of increasing of their own living standards and quality of life (Ivashinenko, 2011; Lind, 2012; Participatory approach to improving the quality of life of the population, 2013).

## 2. Problem Statement

The crisis in Russian economy, the limitations in the mechanism of redistribution of funds among federal, regional and local budgets, the shortcomings of the modern tax system, and the increase in the number of regions with a deficit budget create difficulties in terms of financial security of the regions. These aspects constitute environment for public organizations' activities. Russian NGOs need to adapt their activities and functioning to the situations of lack of budgetary funds and, consequently, lower financial support towards NGOs from government bodies. Public organizations need to revise their strategies for survival and further development.

## 3. Research Questions

The investigations of public organizations' and business community collaboration includes finding answers to the following research questions:

- What is the general context of their collaboration as actors in the socio-economic space of Russian regions?
- What are the main areas of cooperation of public organizations and business community?
- What kind of problems appear, what hinders their collaboration development?

#### **4. Purpose of the Study**

The purpose of our research is to investigate how Russian public organizations and local business community collaborate with each other and to reveal, to identify the type of the relationship between the actors of the socio-economic space.

#### **5. Research Methods**

The article includes the results of a series of international sociological research projects on regional social and economic development in Russia, which were conducted in 2013-2018 by a team of researchers from Uppsala University (Sweden), the Alexander Institute of Helsinki University (Finland), and Novgorod State University of Yaroslav the Wise (Veliky Novgorod, Russia) and Lobachevsky State University of Nizhny Novgorod (Nizhny Novgorod, Russia). The research projects were conducted in two regions of Russia - the Veliki Novgorod and Nizhny Novgorod regions both in the regional centres, small towns and rural areas, which provide more complete and detailed understanding of collaboration between NGOs and business as actors in the socio-economic regional space. Within the research, a series of in-depth interviews were conducted with representatives of business, public organizations, as well as with representatives of government and the population.

#### **6. Findings**

Public organizations play an important role in the process of socio-economic development, in the process of improving the quality of life of the local community, by reducing the level of social insecurity of socially vulnerable groups of the population, such as disabled, problem children, large families, former drug addicts and so on. The range of activities of existing NGOs in this field is quite diverse; it is not only financial support. Very often, NGOs provide social services, provide experts' consultations (for example, in law). NGOs initiate different activities, festive events, and organize the exchange of children's cloths.

However, the role of NGOs in the process of improving the quality of life of the local community is not limited by provision of social services and meeting the current needs of people seeking for help. There are many examples when public organizations could create the environment or conditions for local communities' activities and initiatives. People who contacted to NGOs and got help and support, could be involved in NGOs activities, and become later their active members, or even could create new public organisations (Ivashinenko, 2017). Informal connections and ties. Which were formed during their interactions with NGOs are very valuable, especially for individuals with low social and economic capital, and thus have less ability to improve the living standards and quality of life due to lack of resources. NGOs could become facilitators for increasing social activity of local community, thereby enhancing the social protection of socially vulnerable groups of the community.

NGO activities in the field of solving social problems are in demand in modern Russian society. Nevertheless, such NGOs need getting help and support from other actors of the socio-economic space of the region, e.g. from state institutions, business, and the local population. In modern Russia, NGOs cannot get enough support from the state. The share of state support in the total funding of non-profit and public organizations in Russia is almost three times lower than in Western countries (The role of the “third sector” of the economy in the socio-economic development of Russia, 2017). In the situation of a reduction of volume of both state and foreign financial support for NGOs’ activities, public organizations are forced to rely more on the assistance of sponsoring businesses. According to the data of recent years, the share of donations from individuals, enterprises and entrepreneurs in the total amount of funding for non-profit and public organizations in Russia is significantly higher than in Western countries (The role of the “third sector” of the economy in the socio-economic development of Russia, 2017).

Traditionally, NGOs take the initiative in the process of establishing contacts with local business and ask for help. Sponsoring businesses interacting with NPOs tend to help quite regularly, but not too often. The leaders of public organizations monitor the situation, in order to the sponsors would not ‘get tired’. Heads of NGOs, as a rule, carefully select the time, the type of the support provided and its frequency individually for each entrepreneur or enterprise.

*You know, desire itself is not enough, to do this project. And you need to work hard. Really hard... because, for example, before you find a sponsor, you need to contact to not even 5, not even 10 organizations, but maybe to 15 or 20. Where, maybe 90 percent of them will answer you: no, no, no. Every time you get a refusal, it is hard, and many people give up and say: Oh, nothing will work, nothing will happen and that's over. Moreover, it is necessary to know much about sponsors: which projects they are ready to support, when they have the budget distribution planning. Because some of them have new financial year planning in September, some – in November. You need to take it into account. If you, for example, contact to the organization and ask for support later, you will get negative answer just because you are late. You need to apply in advance, plan it in advance, and it takes time. It is very difficult to work in the non-profit sector (NKOI, social fund).*

*Those who sell construction materials, I am given building materials for repair of apartments, or something else. I receive something from them all the time! We help sometimes kindergartens. Like we repaired the veranda, they gave me construction and decorations materials, they helped. Of course, we work a lot with food store keepers. But sometimes I personally go to our market place, and ask: ‘folks, could you give me pants, a jacket for kids’. But I already know whom I'm going to ask, not random people I don't know.*

More often, sponsors, especially if they are of small-size business, feel easier to provide material support, but not with money, but with materials, products, etc., correlating with the type of their entrepreneurial activity.

Entrepreneurs or enterprises easily provide financial support to NGOs they trust, and know about NGOs’ social projects. In this situation, they do not refuse to help and meet the needs of NGOs (the most

common example of such collaboration is the repair of NGOs' premises). Sometimes entrepreneurs are initiators by offering support to social organizations.

*It was very cold here in our building, and one entrepreneur warmed the wall. We complained that the stuff who is sitting here, are just freezing in winter. He advised us to warm the wall and gave us 30,000. Otherwise, we would never have done it on our own funds. There are these tea-drinking tables for events, but we cannot finance it from our own budget. We are now looking for entrepreneurs, sponsors. Local food shop provide us food packages for the poor families. We are looking for sponsors for families. Well, now they helped us well (The center of social assistance for families and children).*

*This is the most important point to you know that a person is not deceiving, to whom you give money, that it will actually help someone. I know a lot of people who, perhaps, would be happy to give for charity, but they don't want to, because they are afraid it would be useless and waste of time (local entrepreneur).*

At the same time, the sponsors support available does not often enough for NGOs to carry out long-term projects, which would require regular financing. As a result, NGOs, especially in small towns and rural areas, are limited to keep one-time events (for example, sharing gifts, organizing children's trips during holidays, festive events, master classes, renovation of hospital premises, etc.), and usually can not to carry out regular and permanent social activities (for example, organizing regular meals for the homeless, establishing rehabilitation programs for children in difficult life situations, etc.).

The positions of NGOs and the significance of their role in solving social problems are also limited by rather low level of trust of both population and business towards them (Abramova & Sukhushina, 2015). In a situation of a low level of institutional trust, which determines the context of NGO activities, the personal connections and weak social ties, personal contacts of leaders of organizations with representatives of business community become extremely significant and substantial. Weak social ties become the basis in the process of establishing institutional relationships between these actors (Granovetter, 1973).

*Frankly speaking, our entrepreneurs work with me with pleasure. I will never ask anything they cannot do. If this problem is more complicated, I will immediately divide it for two, or for three. I know how much I may receive from each entrepreneur. And they know that I know. So if I ask for this sum of money, then he understands that I have no choice, and they trust me. Ad give it. This is how we do these good things (charity fund).*

*They (sponsors) tell me: We are ready to give you 20,000, so tell me what you need. I think we need bio-toilets, we need them according to the norms. They answer: find them, and I'll send you the money (NGO for children).*

*(moderator) was it difficult to find sponsors? - We first cried in local social networks, and on local TV. But, of course, the main help is from our big power plant. They brought couple of cars with all we needed, like shipped sugar, canned goods, cereals, toys, sweets, juice*

*and chocolate, all kinds of things. Previously, we used to work with local food stores. But this year, they do not help us anymore (women's council).*

An equally important role in establishing cooperation between NGOs and business plays their first experience of collaboration. In the case it is a positive experience, NGOs since then is perceived by local business as trustworthy and NGOs will get the opportunity to receive further financial support. Similarly, failed experience of such collaboration can lead to the situation that a public organization will not receive financial support of local business community any longer.

Local entrepreneurs and enterprises are very cautious about requests to sponsor from the leaders of public organizations who are unknown to them personally. If entrepreneurs do not have sufficient information about the activities of these NGOs and / or do not have personal experience of collaboration with them, negative stereotypes and prejudices towards NGOs that exist in society have a strong influence on their attitude to the NGOs. In such a situation, the mediation of other NGOs, which good reputation in local business community, has a positive impact in establishing new contacts. There are examples in our research, when the basis for building trust in business in relation to a new public organization was "letters of support" from well-known public organizations.

*We just use recommendations. Who really knows what one does, that is how it works. For many years now, if it is really an honest organization... We know each other and if some new organization comes, then there are already organizations that can vouch for it. That is really possible to deal with this organization. That yes, it will not fail. That they will do what they promised. Usually, if you work well and make what you promised to your sponsor, he will be satisfied, and later if you come with the next project, he will support you. And this, perhaps, is the most important guarantee of success of the work of an NGO... and it takes time. Time and lots of work (association of NGOs).*

Sponsors' trust towards non-profit organizations and their reputation are very important factors for the success and development of NGOs. Trust and reputation begins with the first experience of interacting with local sponsors. NGOs that have justified the first trust, will be able to rely on sponsorship in their future activities.

## **7. Conclusion**

NGOs and business as actors in the field of socio-economic development have the potential to enlarge their collaboration. The business community are potentially ready to sponsor public organizations, but at the same time takes a rather cautious position, fearing unreliable NGOs. There is rather low level of trust towards NGOs both in society and in local business community (Mersiyanova, 2012; Abramova & Sukhushina 2015), Nevertheless, the share of sponsorship of NGOs in modern Russia is comparable to government support of the NGO sector. This fact distinguishes Russia from other Western countries, where the share of government support exceeds rather significantly the share of sponsorship in the general budget. In the situation of reducing the level of state and foreign financial support for NGOs' activities, so they are forced to rely more on local business support. It is important to

initiate an integrated approach in the direction of expanding the role of the third sector in socio-economic development of Russian regions, based not only on strengthening state support of public organizations, but also expanding the grounds for strengthening collaboration between public organizations and local business. The non-profit sector can play a more significant role in socio-economic development, more effectively interacting with the state and business as actors of the socio-economic sphere.

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