

Project Targeted Financing Sources: Russian Practice

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Abstract. Fundraising is becoming more commonly used as a way to raise money for project execution. Fundraising development on a qualitative level is proved by the increase in the usage of the program-targeted approach and the targeted support of separate projects or people. The state, business and people create charity foundations, which launch grant competitions. The list of the main foundations is quite impressive. It allows concluding that the representatives of the fundraising sources are ready to do systematic charity. This article presents a classification of funds by sources of funding and areas of support. The results of the analysis of the tender and accounting documentation are described. The general and specific criteria for selecting projects have been identified. The basic criteria allow making conclusions about the effectiveness of each project for the goals of the foundation, project implementability and reliability of the applicant. Specific requirements, determined by the contests from separate financing source categories (state, business, private persons), usually specify their main objectives. Specific criteria in separate project fields usually set the main indicators of their implementation. Mostly these indicators reflect the quantitative measures, by which the application and the expected results are assessed. Generalized recommendations for applicants for grant support have been given. Fundraising source may accelerate the project development, but it is better not to consider such source as the single most important one.

1. Introduction

In the modern Russia fundraising is becoming more commonly used as a way to raise money for project execution. Entrepreneurs present their ideas at the crowd-funding platforms and participate in competitions held in the business society, which is working in the open innovations format. Research and education workers apply for grants (either individually or in collaboration with other Russian or foreign academic and industrial partners). Non-profitable organizations regularly involve general public, state and business entities.

Fundraising in Russia is developing both extensively and intensively.

Companies are starting to think about their social responsibility and to face the necessity of looking for and implementing innovations. The amount of money being granted by the Charity foundation "Lukoil" has grown from 421 million rubles in 2013 to 715 million rubles in 2016 [3, 4]. That is followed by the development of the civic society and consequently, the charity culture. The scales of donations and the amount of private donors are also growing.

According to the estimations of the Charities aid foundation "CAF Russia", the share of the adult population, who made donations in the past 12 months has grown from 40% (in 2013) to 53% (in 2016) [1, 2, 22]. The most popular amount of money donated at the crowd funding platforms at a time

has increased from 500 to 2000 rubles in the last 3 years [9, 21]. The amount of money distributed through state funds is also growing. The reports of the biggest scientific foundations – the Russian Science Foundation (RSF) and the Russian Foundation for Basic Research (RFBR) – show that the total amount of allocated grants in 2014 was equal to 16 billion rubles and in 2016 was equal to more than 27 billion rubles [5, 6, 7, 17, 18].

The authors of the projects are also getting more aware of the non-returnable financing possibilities. For example, in 2008 the economic department of the first contest of the national targeted program “Research and academic staff of the innovative Russia in 2009-2013” received just a few dozen applications. In the following years of program implementation, there were hundreds of participants competing within one department. Around 3-4 years ago the crowd funding was known by only the few “chosen ones”. Today even student and school business oriented audiences are familiar with the idea of crowd funding and most of the students can name the biggest platforms and the projects realized at those platforms. That proves the widening of the scale of the non-returnable support.

The quality development is shown by the transition from the targeted support of separate projects or people to the special purpose resources distribution. Special foundations (state, private, corporate) are implementing competitive programs in charitable purposes.

2. Problem definition

The **object of this research** is the resources distribution in forms of grants and subsidies through open contests.

The **main goal**: is to determine main characteristics of the projects, which can be eligible for receiving financing within the open contests.

Research objectives:

1. To recognize the main Russian foundations;
2. To determine the assessment and restriction criteria for projects;
3. To draw out recommendations for authors of the projects, competing for grants.

The **research database** consists of the competition documentation and foundation reports, mostly published at the official websites with an open access

3. Largest Russian foundations review

This article deliberately considers solely Russian foundations. The authors realize the scales and capabilities of large European and American foundations (Ford foundation, Soros foundation, Wellcome Trust etc.), which also support different projects. After the creation in 2012 of the idea of the “foreign agent” in the Federal Law dated 12.01.1996 №7-FZ “About Non-profitable Organizations”, any engagement with the international organizations became significantly more complicated.

The current law field stimulates many foreign foundations to reduce or completely terminate their activity in the Russian Federation. The collaborative integrated projects continue to apply for grants, but the organizers of such events are usually represented by several foundations from different countries, each of which is financing the activities of their own citizens [19, 20].

The largest and the most famous Russian foundations and programs:

A. State foundations:

- Russian Foundation for Basic Research (RFBR, including liberal arts departments);
- Russian Science Foundation (RSF);
- Presidential grants (founded in 2006);
- Foundation for Innovations Support (founded in 1994);
- City administration grants (Novosibirsk, Moscow, Saint Petersburg etc.);
- Foundation for Prospective Innovations (FPI) (founded in 2012).

B. Private foundations:

- Michail Prokhorov Foundation (founded in 2014);

- Charity foundation of V. Potanin (founded in 1999);
 - Egor Gaidai Foundation (founded in 2010);
 - Foundation for the Advancement of Theoretical Physics “BASIS” (founded in 2016);
 - «Rybakov Foundation» (founded in 2015);
 - Foundation for Support of Education and Science (Alferov’s foundation) (founded in 2012);
 - Non-governmental Ecological Foundation of V. I. Vernadsky (founded in 1995);
 - Timchenko’s Foundation (founded in 2010);
 - Foundation “Our Future” (founded in 2007).
- C. Corporate foundations:*
- Gasprom (Home towns) (founded in 2013);
 - Corporate charitable foundation “KATREN” (founded in 2003);
 - Non-State Pension Foundation “LUKOIL-GARANT” (founded in 1994);
 - Charitable Foundation “Renova” (founded in 2007);
 - Charitable Foundation “Creation” (founded in 2001);
 - Charitable Foundation “Life Line” (founded in 2005);
 - Charitable Foundation “Absolut-Help” (founded in 2002);
 - Foundation of advanced technologies manufacturing by Apple (founded in 2017).

It is necessary to mention that the foundation and program list, displayed above is not finished and can barely ever be finished. Different Internet resources (e.g. “All contests...” - <http://vsekonkursy.ru/>, «Intelica» - <http://www.rsci.ru/> etc.) are also trying to summarize information about grant giving organizations, but none of those resources have a full list due to the obvious reasons. Firstly, new foundations regularly appear and part of the existing organizations stop working. Secondly, the purposes, the directions of support, the amount of the funds are different. Some organizations announce wide profile competitions, the others are narrower oriented, therefore, they are less well-known. But even the list of the main foundations is quite impressive. It allows concluding that the representatives of the fundraising sources (state, business, and private supporters) are ready to do systematic charity.

The organizational documents of each foundation, which by law is a non-profitable organization, set its main goals, determining the key support fields. The conducted analysis allowed defining the following fields: entrepreneurship, science, social sphere, urban infrastructure.

The corporate funds prefer supporting social and infrastructural projects (e.g. “Lukoil” Charitable Foundation, “Hometown” program by Gazprom etc.). Private foundations concentrate on social projects (e.g. Rybakov Foundation), science, education and culture (e.g. Charity Foundation of V. Potanin). State foundations and targeted programs usually cover all the fields.

4. Main project assessment criteria

The requirements of each open contest contain the project selection criteria. One of the research goals was to define the main (common to any contest) and specific (applicable to separate categories of sources and/or projects) selection criteria [8, 10, 11, 13, 14, 15, 16, 23].

The main (basic) criteria were determined to be the following:

- Accordance of the project theme to the fields, supported by the Foundation;
- Relevance and social (scientific, practical etc.) significance of the project;
- Idea and capacity of the author;
- Description of the problem, goal, tasks and methods of the project implementation;
- Realistic calendar plan of the project implementation;
- Professional level of the project manager and the team members (different contests have different measures and indicators of professionalism);
- Experience of successful implementation of previous grants, state contracts;
- Justification of the required financing (project budget);
- Degree of the solution innovation.

The basic criteria allow making conclusions about the effectiveness of each project for the goals of the foundation, project implementability and reliability of the applicant.

Specific requirements, determined by the contests from separate financing source categories (state, business, private persons), usually specify their main objectives. They are more significant for the first two categories (Table 1)

Table 1. Specific criteria of the project selection by the source of financing.

Foundations	Criteria
State	Personal impact and additional resources, necessary for the project realization, perspectives for the following development; Presence of a team; Scientific significance of the expected results; Correspondence of the expected results to the world level.
Corporate	Growth potential; Informational openness, publicity; Level of technology readiness; Justification of the competitive advantages; Project geography.

Table 2. Specific criteria by the main project fields.

Project fields	Specific criteria
Entrepreneurial	Research and Development experience; Co-financing possibility; Amount of the new or modernized working places; Registration of the created intellectual property rights; Sales start for the products, created using the grant resources; Commercialization of the results; Financial effectiveness of the project.
Scientific (research)	Amount and level of collective publications in the last three years by the project topic in the magazines, included into one of the quotation systems (reference database) Web of Science, Scopus, Web of Knowledge, Astrophysics, PubMed, Mathematics, Chemical Abstracts, Springer, Agris, GeoRef, RSCI; Amount of prepared and defended master's, candidate's and doctoral dissertations; Amount of the results, for which the copyright was registered, including patents, know-hows etc.
Social	Amount of benefiteres; Geography of the project; Social significance; Registered non-profit organization.
Infrastructural	Amount of benefiteres; Geography of the project; Perseverance and development of cultures, traditions and languages of the nationalities, living in the N city, etc.

The corporate and state funds specific criteria are the most significant. Business-structures require market potential and quick result at the territory of their presence. In the state financed contests the attention is drawn to the level of the received results (compared to the world level) and the possibility of co-financing. Specific criteria by the project fields are shown at Table 2.

Specific criteria in separate project fields usually set the main indicators of their implementation. Mostly these indicators reflect the quantitative measures, by which the application and the expected results are assessed. For scientific projects one of the main measures is the amount and the level of publications – research related articles published by the research team in the magazines registered at one of the quotation systems (Web of Science, Scopus, RSCI etc.). The publications, on the one hand, explain the existing idea, and on the other, set the quantitative markers for the results assessment. Key criteria for the entrepreneurial projects are the possibilities to commercialize the result, the correlation between the revenue and the investments. Social and infrastructural projects are usually assessed by the amount of benefiteres and the geography of the project.

5. Analysis of the structure and dynamics of the application acceptance and support levels in the biggest Russian foundations

The culture of applying for open contests in Russia is almost completely shaped. Most of the foundations under consideration have been functioning for more than 5 years. Grant programs regularly receive a large amount of applications. Analysis of different programs has shown that the share of applications receiving support is equal to 10-50% from the total amount of applications.

The statistics of the “Hometowns” program founded by the corporate foundation “Gazprom Neft”, which supports social and infrastructural projects, show a stable growth of the amount of applications, when each fifth project actually receives support (see Fig. 1) [11]. The development of the program enlarges the possibilities of the potential participants. Recently participation in the contest became available not only to the legal entities (non-profitable organizations), but also to individuals (initiative groups).

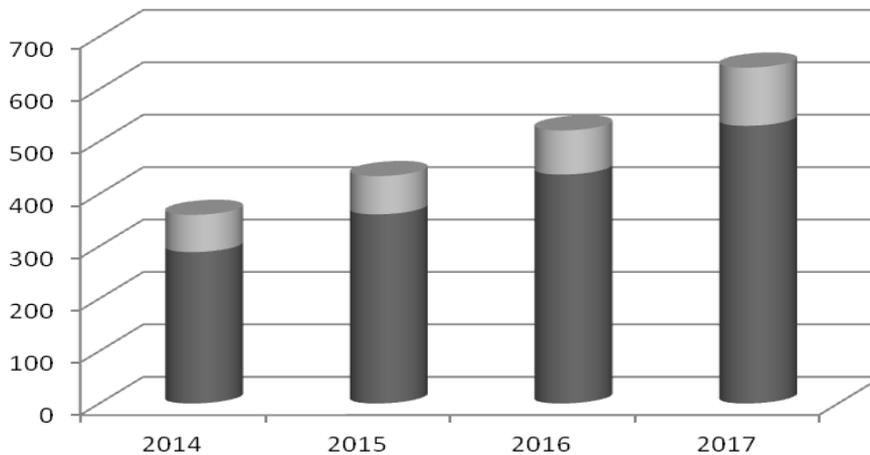


Figure 1. Application statistics for the “Hometowns” program implemented by Gazprom.

The grant competition of the President of the Russian Federation for supporting young Russian researchers has a different statistics [14]. The amount of applications has been growing since 2006. The amount of the projects receiving support was at the stable level of 488 projects. In 2009 the quota limit for the supported projects had a 20% reduction (it became equal to 388 projects). In two years the amount of received applications also started to decrease. The application submission dynamics for the young candidate of sciences is presented at Figure 2. Detailed analysis shows that the most applications are received in the fields of “Social and liberal sciences” and “Technical and engineering sciences”. These fields shape the overall tendency.

In the first and the last years of the program the share of the supported projects was equal to 20% among the total amount of projects. At the popularity peak in 2009-2012 the support level was equal to 9-12%.

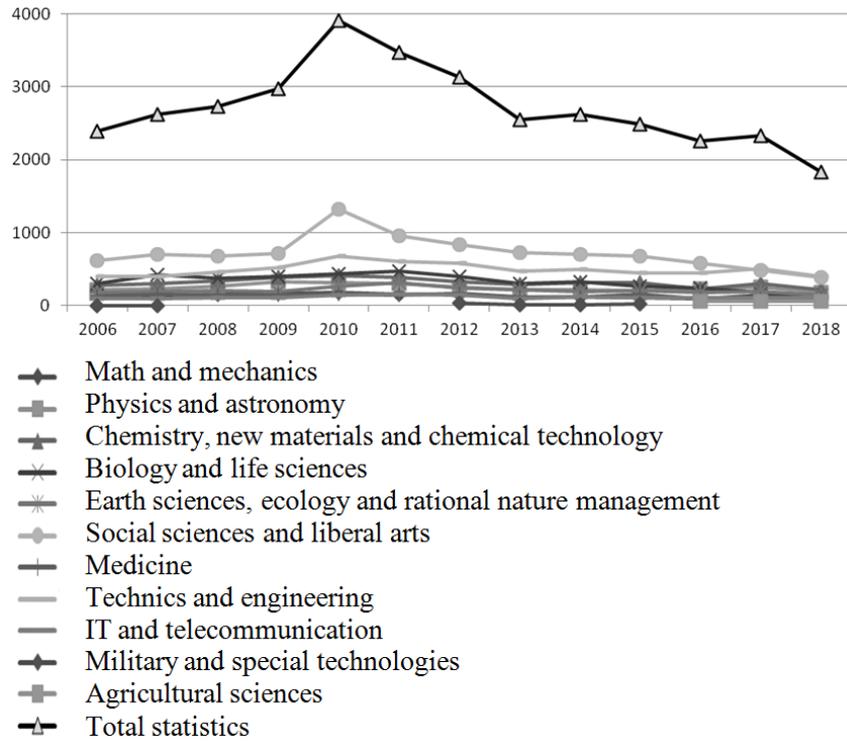


Figure 2. Application statistics for the young candidates of science for the grant of the President of the Russian Federation.

Table 3. Results of the foundation for innovation support programs implementation in 2016.

Program	Key restrictions	Grant amount, mln. Rub.	Amount of applications received	Amount of applications supported
Umnik (Smarty)	Creation of a legal entity and co-financing is not required	0,5	14344	1349
Start	Up to 4 years. Only at the first year the creation of a legal entity and co-financing is not required.	1 year – up to 2; 2nd – up to 3; 3rd – up to 4; 4th – up to 5.	2476	506
Com-merci-aliza-tion	For small businesses only. Co-financing is required.	Up to 15	489	129

Source: created by the authors based on [16]

The main platform for entrepreneurial projects is the Foundation for Innovations Support [16]. Several projects are being implemented at this platform (Table 3).

Analysis has shown that the lower are the official requirements, the more applications are submitted and, at the same time, the lower is the projects support level. The biggest competition (approximately 1 out of 10 projects is supported) is at the “UMNIK” program, which has the lowest project requirements and the lowest grant amounts. Such programs are going to be further referred to as “the first level competitions”. The “Commercialization” program, on the opposite, has higher entry and result requirements, but the possibility for the appropriate project to receive support is also much higher (approximately 1 out of 4 projects is supported). The second important observation is that even though the total amount of projects supported at the “UMNIK” program is 10,5 times higher than that of the “Commercialization” program, it would be wrong to claim that the financing is bigger in the first case.

Is it reasonable to conclude that there is no point in wasting time and efforts for participation at the first level competitions? No, this would be a false hypothesis. The “UMNIK” program has a strict selection, but after its successful completion and the implementation of the project, the author has higher chances to be supported by the “Start” and “Commercialization” projects. The successful realization of the lower level programs is an important indicator when assessing basic criteria, such as the author’s idea and capability, professional level of the project manager and the team members, experience of successful implementation of previous grants, state contracts.

The same stages may be defined in the field of scientific competitions. The most mainstream segment is the initiative competitions of the RFBR, the most elitist – RSF. That is proved both by the amount of submitted applications and the amount of financing given to a separate project (Table 4).

Table 4. RFBR and RSF program results in 2016.

Foundation	Amount of applications received	Amount of applications supported	Share of applications supported, %
RFBR (Russian Foundation for Basic Research)	28939	6952	24
RSF (Russian Scientific Foundation)	9700	652	6,7

Source: created by the authors based on [5, 6, 7, 17, 18]

The RFBR is implementing different programs. The competitive level of the programs is changing. For example, in 2015 the share of the supported projects at the most popular “Fundamental Scientific Research Competition” was equal to 30% of the total amount. In the meantime the contest of the Russian and International Scientific Events Organization was entered by 921 participant, 690 of which were supported (the share of supported projects is equal to 74%). An example of the second level competition of the RFBR might be “the Contest of oriented basic researches”. Its main goal is to “further promote those basic researches, which were previously supported by scientific organizations and during which the researchers not only received groundbreaking results, but discovered possibilities to use them to create key solutions for disruptive innovations, new materials and implementation of targeted state programs” [13]. In 2015 this program had received 1137 applications, only 17,9% of which was supported.

The RSF projects also seem to be higher level projects. They are entered by respectable research teams, which have substantial capabilities and experience in managing projects, supported by different grants. The amount of applications submitted to the RSF in 2016 is 3 times less than submitted to the RFBR. But only 1 out of 10 of the RSF projects received support. Meanwhile, the RFBR had less strict official restrictions and supported each fourth project in 2016.

The pattern relating to the competition level and the correlation between the received and supported applications in the entrepreneurial field does not apply to the scientific projects. Despite the high entry requirements (e.g. the lowest amount of articles published in the top-rated international magazines, registered at the international quotation bases as Web of Science and Scopus), the percentage of supported projects is relatively low. The main reasons of such distribution seem to be the following: financial restrictions – the amount of funds distributed; absence of the advanced mechanisms for project developing from an idea to the commercialization; the complexity of the research results assessment, especially when it comes to fundamental research (in comparison to the entrepreneurial projects implementation). Some other reasons might also be possible.

6. Conclusions

In conclusion, let us propose some basic recommendations for the grant support applicants.

Firstly, it is necessary to choose the right foundation and the right program within this foundation. As it was mentioned, beside the basic criteria, typical to each competition, there are also specific ones, only typical to foundations of separate categories or programs of separate fields and themes. Additionally, there are unique criteria, set by a certain competition in a certain year.

The project, the research team and the expected results should completely correspond to all the criteria. Moreover, this correspondence should be obvious (e.g. the object and the purpose of the project should be directly connected to the competition purpose) and should be a competitive advantage of the project, whether it is the presence of scientific magazine articles or the predicted financial efficiency of the project. It is also important not to forget that all the characteristics described in the application should be realistic. Obviously, the project feasibility is a personal opinion of an expert, but it is the primary idea that shapes the results, which might be achieved by the research team in a year.

Secondly, a significant advantage for a project team would be to have a successful project, financed by the foundation. If the submitted application is the first experience, it might be better to begin with the “first level competitions” and turn it into a long and fruitful cooperation. The denial of financial support is a reason to thoroughly read the review, the expert assessment of the application. The project managers and project executives can find the feedback at their accounts at the foundations websites or, if there are no published, request the feedback at the foundation. The mistake analysis and correction allows improving the project and having better results when participating in the next competition.

Finally, it is crucial to understand that it is necessary to apply for the grant competitions only with those projects, which can be postponed, cancelled or implemented using some other resources. Foundation activity analysis, personal project management experience, deep understanding of the cooperation mechanisms with the systemic sources, – all that gives significant advantages when creating an application, but it does not guarantee actually receiving the financial support. Any fundraising source may accelerate the project development, but it is better not to consider such source as the single most important one. The study is conducted with the financial support of the Novosibirsk State Technical University (Project C19-25, 2019)

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