

INTERNATIONAL EXPERIENCE OF PUBLIC-PRIVATE PARTNERSHIP IN FINANCIAL MANAGEMENT OF HIGHER EDUCATION

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Abstract

The article describes the international and Russian experience of higher education establishments in both fundraising and search for off-budgetary sources of income; studies the international practice of using the capabilities of charitable foundations to finance both education process and research projects in higher educational establishments; views the prospects of applying the West-European countries' experience of public-state partnership in education under the current Russian economy. Keywords: higher education, endowment funds, fundraising, charitable foundations.

JEL classification: H41, J18, L33

1. Introduction

In the modern rapidly developing world system of higher education cannot afford to fulfill the only function of transfer, consolidation and storage of scientific knowledge. Universities have to become the major centers of initiation of innovations. Also they are called to prepare the next generations training to the active use of these innovations that will help to solve the existing and emerging global problems of mankind.

Today's system of high education is a research base for studies, personal development and also it's a full-fledged business environment.

Continuously rising requirements for the quality of the educational services, for its compliance with the international standards necessitated the growth of the public expenditure and private investment in higher education, the widespread implementation of new learning technologies using up-to-date Information and Communication Technology and tools. Traditionally, there are two major sources of budget replenishment of a higher education institution: the state and non-state funding. The funds, allocated by the state, are mostly directed to maintenance of adequate conditions of a university material and technical base, organization of the basic educational process and providing the primary needs of the university as an organization.

Public money is not enough for supporting a full-fledge operation of becoming more and more financially-capacious system of high education (active research and development, fast integration of university in the national and global scientific

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community). The most interesting, strategically important, socially desirable research is often conducted under the government grants and the grants of public funds, that are tightly limited by amount (Dimmock, 2012). Besides, the flow of reporting documentation often exceeds the obtained results. In addition, some research themes may not suit the available directions of support or the form of financing, and real time of allocation of funding from foundations can be delayed because of bureaucratic barriers.

Therefore searching of additional non-budgetary funding sources becomes a strategic goal of any institution of higher education which aspires to develop and remain a competitive position in the educational market.

The mechanism of public-private partnership in the system of financial management works to optimize financial flows on various levels of professional education funded with both budgetary and off-budgetary resources and to improve public control for the efficient and appropriate use of education establishments' accumulated budget.

The system of financial management of education in the developed countries features a public-private character, which means projecting the mechanisms facilitating, for both citizens and private businesses, the access to participation in drawing up a public order for educational services; public activity in upgrading the state policy on investment climate improvement in education; creating public leverages for planning educational budgets of different levels; forming mechanisms for private entities' participation in co-financing of education.

In recent decades in the world (and since the beginning of the 2000s in Russia) fundraising becomes a demanded and promising source of extra income of universities. It is considered as an instrument of financial support of universities by public funds and alumni in the form of voluntary (charitable) deductions. This article presents an analysis of the positive experience in this field in Russia and in the other developed countries.

2. Background

Unfortunately, at the present time in Russia most of institutions of higher education and scientific organizations still do not have an effective system of corporate governance aimed at long-term sustainable development of the university and improving quality of its performance. However, the higher education is traditionally one of the priority areas of support from the Government. The table below shows the expenditure dynamics of Russian federal consolidated budget on the item "Higher education and post-graduate education" in 2010-2013.

Table 1. Budget expenditure on higher professional education (2010-2013)¹

	2010	2011	2012	2013
The number of state universities in Russia	653	634	609	578
Budget funding of higher education, billion rubles	381,6	416,8	464,0	495,6
Allocated funds per 1 higher institution, billion rubles	0,58	0,66	0,76	0,85

¹ Compiled by the author based on data of Russian Federal Treasury, The Ministry of Finance of the Russian Federation, Federal State Statistics Service of the Russian Federation

The data in the table indicate directly on two important trends of the Russian higher education in the last 5 years. Firstly, the reduction in the number of public higher education institutions - 75 public universities for 4 years. Notably, the reduction has touched not only public institutions of higher education, but also private universities in almost the same extent. In 2010 there were 462 private higher professional institutions in Russia and only 391 ones in 2013. This trend can be partly explained by the Government accepted rate on consolidation and integration of universities, as well as increased government requirements and standards for the provision of educational services in higher education, which led to the recognition of ineffective, and in a particularly heavy, but fortunately rare, and the elimination of certain educational institutions. This trend can be partly explained by the Government accepted policy on merger and integration of universities, and also by increasing government requirements and standards for the provision of educational services in higher education, which led to the recognition of ineffective universities and in some cases even to the elimination of number of them.

Secondly, there is a gradual increase in budget funding of higher education. Taking into account the overall reduction of the number of higher education institutions in the country, from the first sight, it significantly increases the average share of public money per 1 higher education institution. Thus the share of higher education in the total expenditures of the federal budget under item "Education" is not so great - in 2012 it was only 18.1% percent.²

However, in order to assess the real picture of financing higher education in Russia in recent years, it is necessary to consider two important factors: inflation and territorial discrimination universities in the country. Over the past 4 years official inflation in Russia did not exceed 9%. Although according to expert estimation based on the dynamics of prices it reached 13% and 17% for selected groups of consumer goods and services. Given the official inflation rate in Russia, real government spending (compared with 2010), adjusted for inflation, are as follows. Thus, we can talk not only about the absolute, but the relative growth of public funding of higher education in the period from 2010 to 2013. However, as a result the real growth of budget expenditures on higher education is much lower than nominal one.

Table 2. Real public funding of higher education (adjusted for inflation to the level of 2010)³

	2010	2011	2012	2013
Inflation rate (%) ⁴	8,78	6,10	6,58	6,45
Budget funding of higher education, billion rubles	381,6	416,8	464,0	495,6
Real public funding of higher education (adjusted for inflation to the level of 2010)	350,81	361,18	377,21	378,48

² Data of Russian Federal Treasury

³ Calculated by the author

⁴ The inflation rate of Russian Federation http://уровень-инфляции.рф/%D1%82%D0%B0%D0%B1%D0%BB%D0%B8%D1%86%D0%B0_%D0%B8%D0%BD%D1%84%D0%BB%D1%8F%D1%86%D0%B8%D0%B8.aspx

http://уровень-инфляции.рф/%D1%82%D0%B0%D0%B1%D0%BB%D0%B8%D1%86%D0%B0_%D0%B8%D0%BD%D1%84%D0%BB%D1%8F%D1%86%D0%B8%D0%B8.aspx

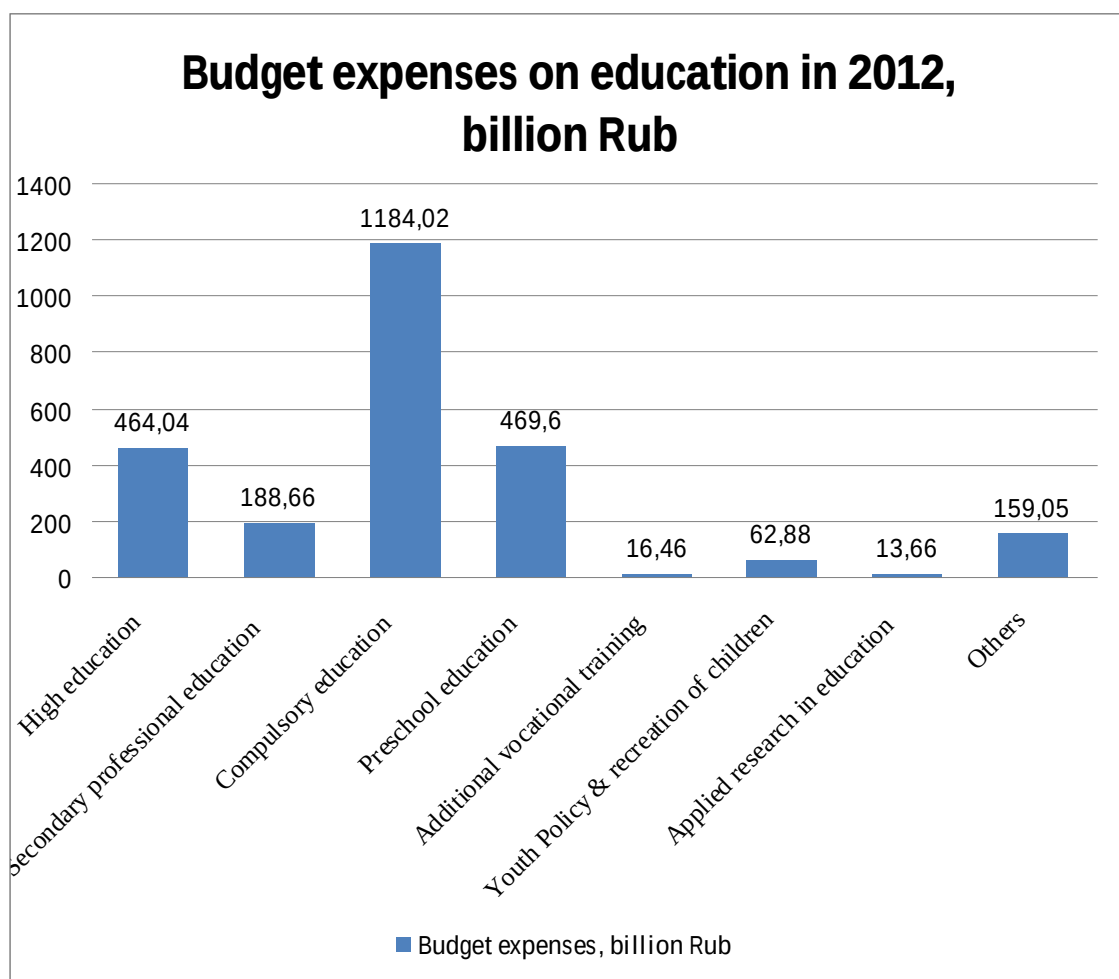


Figure 1. Public expenditure in the consolidated federal budget on items in 2012, bln. rubles⁵

Table 3. Growth rate of real and nominal public funding of higher education (2010-2013)⁶

	2010	2011	2012	2013
Nominal growth rate of budget financing of higher education,%	-	+9,2	+11,3	+6,8
Real growth rate of budget financing of higher education (adjusted for inflation to the level of 2010),%	-	+2,9	+4,4	+0,3

⁵ Compiled by the author based on data of Russian Federal Treasury, The Ministry of Finance of the Russian Federation, Federal State Statistics Service of the Russian Federation

⁶ Calculated by the author

The slowdown in growth of public expenditure in the educational sector in 2013 can be partly explained by the difficult domestic economic situation in the country, located in the initial technical phase of economic recession.

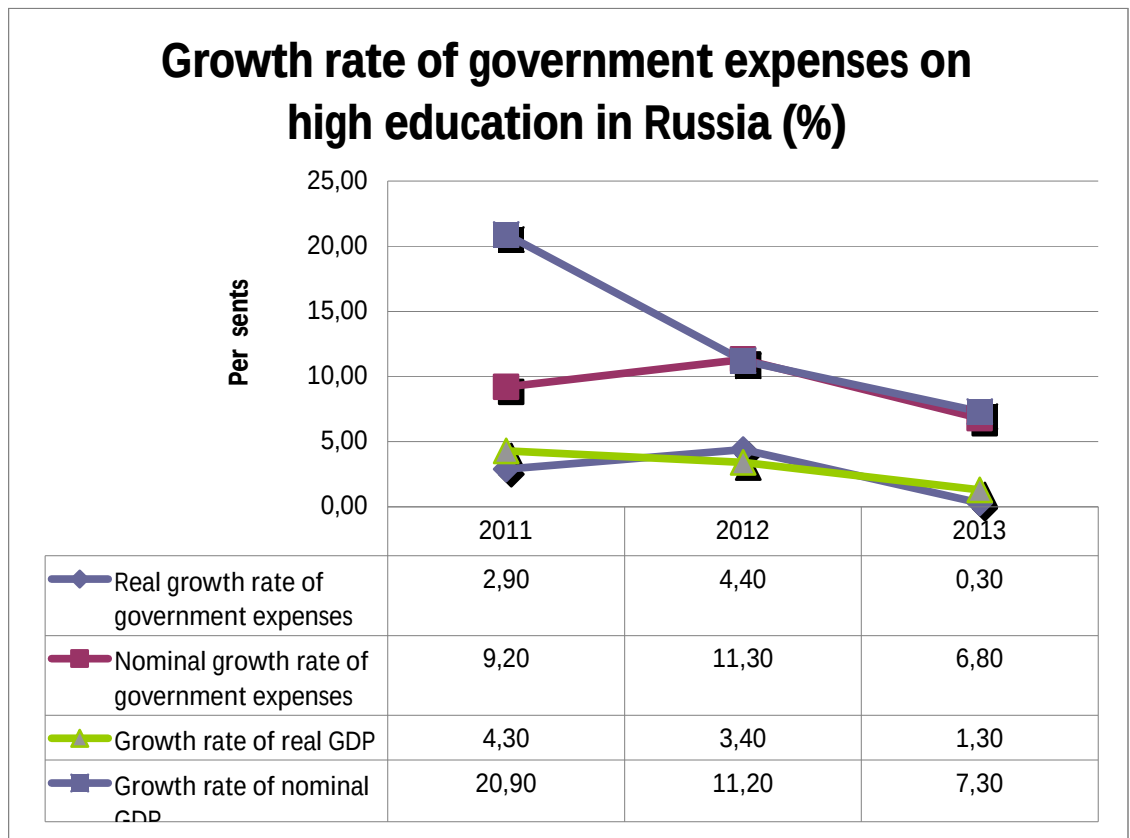


Figure 2. Changes in real and nominal growth rate of public spending on higher education in Russia compared with the growth rate of annual GDP (2011-2013) ⁷

The situation of public funding in higher education is complicated by factors, mentioned above, and territorial discrimination of higher education institutions. Metropolitan universities in Moscow and St. Petersburg, as well as a number of major national research universities receive funding from the Government to carry out research activities, organizational development, modernization and implementation of innovative projects more often, faster and in greater extent than regional universities. As a result, the initial gap that existed in the level of scientific, educational and social activities of the central and regional universities is rapidly extended. Thus, in May 2012 the President of Russia has set the task of joining of at least five Russian universities to the top 100 world university rankings 2020. In order to provide a qualitative leap to improve the competitive performance of leading Russian universities

⁷ Conducted by the author

RF Government Decree of 16 March 2013 number 211 was established project "5-100." In early May 2013 the Government announced a tender for the provision of state support for the largest Russian universities, aimed at improving their competitive performance among the best scientific and educational centers in the world. But, despite the fact that any university in the country could take part in the project "5-100", all winners have turned out to be the leading universities that are already implementing large-scale development programs with state support. Among the 15 universities that have received state support in the framework of this project, more than a half - universities of Moscow and St. Petersburg: Moscow Institute of Physics and Technology (State University), National University of Science and Technology "MISIS", National Research University "Higher School of Economics", National Research Nuclear University MEPhI (Moscow Engineering Physics Institute), St. Petersburg State Polytechnical University and others. In whole the Government allocated 9 billion rubles for their development in 2013. In 2014 this figure will increase to 10.5 billion rubles, in 2015 - up to 12 billion rubles, and in 2016 - up to 12,5 billion rubles.

In order to receive this level of state support, firstly the majority of regional universities will have to build their own innovative capacity, to take active measures to improve the material and technical base and optimize internal and external organizational processes. However, the certain financial costs are also required for making the necessary changes. Therefore, the important task for any modern university in Russia, and leading regional universities in particular, is to work with the involvement of non-budgetary funding.

The current practice enables to reveal basic off-budgetary sources, which can provide a higher education establishment with extra funds:

- Provision of fee-based educational services including the realization of continuing professional education;
- Introduction of contract-based research activities;
- Operations of a higher education establishments, which aren't directly related to the educational process; i.e., commercial projects, tenancy, leasing, concession, securities and bank deposit operations, etc.
- Voluntary donation of private legal entities and individuals, charity and special-purpose grant aids from both international and domestic funds and organizations.

In the last 5 years in Russia there is a tendency of gradual increase in the share of non-budgetary funding in general revenue structure of higher institutions. In January 2014 the national average, it was about 40%, but this figure will exceed 60% for many universities already in the short term.

A newly visible gradual transition of this country's progressive higher education establishments from the budget estimate model of financial resources management to the corporate one also goes with creating the productive structures of financial management (Morozova and Dyakonova, 2010), which key objective is associated with a dynamic fundraising activity to meet the strategic and operative aims of a certain higher educational establishment. Work with off-budgetary financial sources is a basis for all the mechanisms of public-private partnership in financial

management of education. One of the main directions of the development of international organizational and institutional public-private partnership in the system of financial management of education deals with both charity and special-purpose charity grant aids.

The accumulated experience in the sphere of charity in education abroad is richer than that in the Russian Federation. The higher education establishment, which plans to use charity as a mechanism of public private partnership for extra funding, should decide on the direction of operations – whether either to establish an inner special purpose fund from either internal or outside assets or purposefully to rally the support of both private and public charitable foundations.

3. World experience

The international charity practices in education divide it in two large parts in accordance with a type of the legal system currently functioning in the country (Gilbert and Hrdlicka, 2013). This principle enables to identify countries of common law (such as Great Britain, the USA, etc.) and countries of civil law (most of European countries including Germany).

In the USA, charitable foundation is legally explained as a nonprofit organization exempt from taxes. Such foundations must possess endowment capital, which is invested in financial assets and ensures future funding. The endowment capital itself is referred to as the infeasible principal; the spendable assets of the fund are the revenue earned in the process of its investment. The endowment fund is established for a long-term donation contribution spent on socially important targets. Commonly, these funds are organized as trusts.

In the USA, such funds are usually managed by large universities; e.g., Harvard University. Endowment of Harvard University is one of the largest in the world. At the end of 2011 it amounted to about 31.7 billion dollars. Practically, there exist the following types of endowment funds: field-of-interest funds, unrestricted funds, donor-advised funds, agency funds. One more type of funds functioning as endowments is associated with quasi-endowment, which is established by the university and doesn't involve outside donors, and functions on the same basis as true and term endowments. The contributions to such funds are partially exempt from taxes, and they can be withdrawn by the governing board at any time. Princeton University's endowment covers 47% of its expenses; Harvard University gains a return of 35 % (Yakovenko, 2013).

The total endowment value of the USA's universities exceeds 200 billion USD. Great Britain shows measurelessly moderate figures – only 5 billion USD; moreover, the total funds of Oxford and Cambridge amounts to 4 billion USD, and the rest billion USD is shared by other universities of the country (Molchanova and Livshin, 2009).

Table 4. TOP-10 of largest endowment funds in the United States between 2010 and 2013⁸

Institution	2010, billion USD	2011, billion USD	2012, billion USD	2013, billion USD
Harvard University	27,557	31,728	30.435	32.334
Yale University	16.652	19.374	19.345	20.780
University of Texas System	14.052	17.149	18.264	20.448
Stanford University	13.851	16.503	17.036	18.668
Princeton University	14.391	17.110	16.954	18.200
Massachusetts Institute of Technology	8.317	9.713	10.150	11.005
Texas A&M University System	5.738	7.000	7.639	8.732
University of Michigan	6.564	7.835	7.691	8.382
Columbia University	6.517	7.790	7.654	8.197
Northwestern University	5.945	7.183	7.119	7.883

Germany's charitable foundations can be established as legal entities or can have no legal status, being established as a certain amount of assets subject to supervision of a legally capable entity. The most popular type of such foundations is legally capable charitable foundations of private interest. To establish an own foundation in Germany, a university should undergo the additional procedure of state registration of donated monetary contributions. In spite of the fact that a minimum capital, including that for educational needs, hasn't been legally set up in the Federal Republic of Germany, this amount traditionally approximates 50 thousand EUR. German foundations are both rather transparent and well-supervised. A high portion of them operates as municipal foundations under private law (Molchanova and Livshin, 2009) As of 2010, the share of individuals' donations either to university's personal funds or to those, which retranslate finances for uses of definite universities, amounted to 35% comprising mainly the donations of alumni (Neborsky, 2013).

There is a wide alternative choice of various charitable foundations abroad, which provides education establishments with the opportunity to arrange the most convenient forms of work with individuals and legal entities. It is worth mentioning that the system, which is common for the whole international charity in the context of educational sphere, is the system of preferential tax treatment for both charitable organizations (original donors) and recipients, i.e., universities. In the USA, 35% income tax is replaced with excise tax, which can take different forms, but doesn't exceed 1-2% of foundation income (Molchanova and Livshin, 2009).

4. University endowment funds in Russia

The practice of establishing endowments starts being progressively used by Russia's universities. The presence of own endowment capital guarantees universities a reliable financial basis and stable realization of long-term scientific projects,

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improvement in the quality of academic staff, recruiting of best students, and creation of optimum material and technical conditions for the educational process.

To establish an endowment fund in compliance with the Russian legislative system, a higher education establishment should raise funds of not less than 3 billion RUR within a one-year period, which can either be further handed over to a management company or temporarily stay under supervision of some special structural departments of a university. The most popular Russia's practice deals with transferring financial and management endowment risks to professional managers.

The success of domestic education charity is rather moderate. In the present time, the Russian Federation sees about 85 registered endowment funds, 50 of which belong to capital and regional universities. As of 2012, the general endowment capitalization of the Russian higher education didn't exceed 18 billion RUR (Yakovenko, 2013).

MGIMO, MGU, National Research University (Higher School of Economics), Ural Federal University, European University in St. Petersburg, Southern Federal University, Moscow School of Management "Skolkovo", etc. - the leading universities of the country – were the first to demonstrate the awareness of endowment funds being important and promising.

Table 5. Key financial characteristics of 10 major Russian endowment funds of higher education institutions⁹ ((RUR000's)

Institution	Charitable gifts	G&A expenses	Trust revenue, including asset management company bonus	Total fund volume at the end of 2013
National Research Tomsk Polytechnical University	1784,00	298,00	995,00	12841,00
South Federal University	1489,9	120,7	1201,0	12 875,6
MGIMO-University	215000,0	145,0	89300,0	1205000,0
New Economic School* (data in 2012)	323,02	210,09	20210,09	330782,38
St. Petersburg State Polytechnical University	5350,00	344,32	204,7	5518,00
Siberian Federal University	88,5	10,4	821,3	14700,00
Tyumen State University	600,00	216,9	1167,7	15118,8
European University in St. Petersburg* (data in 2012-2013)	62087,83	600,0	67957,78	1100000,0
St. Petersburg State University	25882,0	57,00	79120,0	1054179,0
Ural Federal University* (data in 2012)	7355,0	291,92	332,1	15411,23

The largest endowment funds in Russia belong to the federal universities with initially high level of state support, such as MGIMO, and large non-state higher education institutions, such as the European University at St. Petersburg, with active business mentality and willingness to business cooperation with the private sector and large institutional partners. However, it should be noted that now the number of

⁹ Conducted by the author

educational endowment funds, which volume is measured in billions of rubles, is quite small. The endowments of most Russian universities do not exceed a few tens of millions rubles, and annual donations from companies and individuals are highly dependent on the existing reputation of the university and the intensity of the fundraising events organized by management. It is important to remember that the basic formation of endowment funds of Russian universities began only in 2007-2008, so many of them just did not yet accumulate significant volume of endowment. Approximate distribution of the endowment-funds of 10 major national universities in Russia (in terms of annual income from investment of the endowment, the level of administrative expenses and the total size of the funds) is shown in Figure 3.

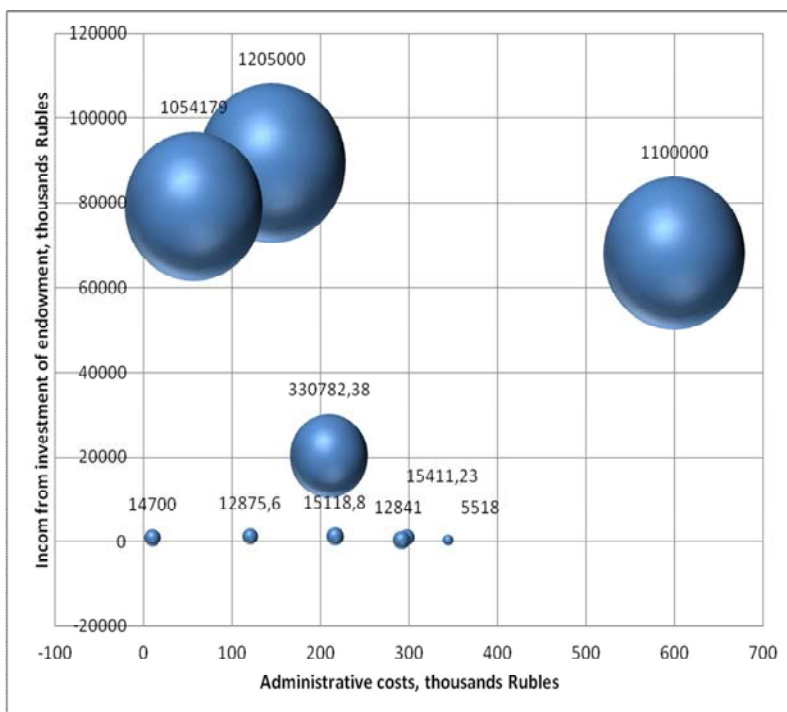


Figure 3. Endowment funds of Russian universities considering total volume of endowment, administrative expenses and investment income (data for 2012-2013).¹⁰

It should be noted that the increase in total university endowment directly affects the increase in its investment income. Income level of endowment funds of Russian universities, usually does not exceed 10% and hovers around 6-8%. As a result, tangible return on investment appears only when the total amount of the endowment overcomes 100 million rubles. It is shown in Figure 3.

Notably, the size of the fund does not affect directly the level of administrative expenses on its content. For instance, the size of the endowment fund of the St. Petersburg State Polytechnical University is the smallest among the analyzed ones, but its administrative costs exceed revenue from its own investments and also they are

¹⁰ Conducted by the author

much more than the administrative costs of endowment funds of such giants like MGIMO and St. Petersburg State University. Administrative costs of endowment funds are also high in Ural federal funds and Tomsk Polytechnical University. Immediately conclusion suggests mismanagement of these funds or a large proportion of the material interest of fund managers in making a personal profit from this fundraising activity. However, perhaps the management of these universities directly relies on the formation of a strong and motivated management team for the fund, which existence is rarely possible in the absence of individual incentives for the employees. In this short period of existence of the endowment it is difficult to accumulate significant funds, and the endowment funds must bear the costs already in the current period. In the future, if there is an honest and full impact of the management team disproportion between the size of a fund and the cost of its maintenance and development may come to naught.

In Figure 3, the endowment fund of the European University in St. Petersburg is located separately from the others. The volume of the endowment of this university is quite significant, but the administrative expenses of the fund are also pretty high. But the European University in St. Petersburg is a private institution and operates under the concept of the entrepreneurial university. In this regard the motivation of management, the structure of expenditure, accumulated by the university, fundraising policy and intensity level of interaction with businesses in this university differ markedly from state universities of the similar profile.

Moscow State Institute of International Relations (MGIMO) ranks second in terms of the endowment value in this country. The funds recharge is stable, owing to the proper investment policy on endowment management. A rather conservative structure of investment portfolio was chosen by the institute for the endowment assets; i.e., 12% of shares, 79% of obligations, 8% of deposits, and the rest of the funds are in currency. The main objective of an endowment is to ensure not usually high but stable income. MGIMO's endowment income rate of 2009 exceeded 25%. The year 2010 saw the decrease of the rate to 11.4%. As of 2011, it was equal to 7.8%; and in 2012 the endowment income rate approximated 9% (Yakovenko, 2013). In the present time, MGIMO uses the endowment funds to finance its own publishing activities, interesting students' projects, scientific conferences and workshops.

Usually the expenses of endowment funds of Russian universities are aimed at increase of research activity of faculty and students as well as at cooperation with the private sector in investment PPP projects (Gompers and Lerner, 2000).

Thus, the main tasks of the Foundation of Tomsk Polytechnical University include improving the quality and prestige of the engineering education, developing an effective mechanism of interaction of the private business sector and university research, development of a powerful material and technical platform for the scientific and educational activity of the university, financing of investment projects, which are the result of scientific research work of students and faculty members and others. At the end of 2013 the endowment fund of Tomsk Polytechnical University was 11.9 million rubles.

The main channels of implementation of fundraising activities in the Russian universities today are personal contacts and compellations of the university

management, advertising on radio, print handouts of university, its official web-site and PR events.

In the mentioned above Tomsk Polytechnical University in 2013, the key methods to attract donations were oral presentations of management at public events and speeches of senior executives of the university to the faculty, alumni, students and business partners of TPU calling for the implementation of the charitable contribution. The monthly mailout to the potential partners and alumni of the University, containing a brief description of the objectives of the Fund and the request of material support of the research activities of the university was used. There is the annual contest for Scholarship of previous generations sponsored by the Fund in the Tomsk Polytechnical University. This Scholarship is destined for the most talented and active students and teachers, the selection of the candidates is done by Internet voting, which helps to attract a large number of users on the site of the University and expand the opportunities for the use of contextual advertising addressed to users with a request for a donation to the Foundation TPU.

Russian universities can't afford the large-scale and expensive marketing campaign to raise money for an endowment fund. Under the terms of the Russian legislation, the share of expenditure on fundraising for the endowment shall not exceed 5% of the accumulated funds and 10-15% of the income that competent management company can provide by investing endowment capital.

5. Discussion

Some experts suggest that today's practice of creating endowments in higher education, despite the active promoting position of the Government in Russia, is implemented and used by universities not as active as we would like. This is especially true of regions. The reason is the external and internal barriers to the development of educational endowment funds.

The external barriers include general instability of the national economy, characteristic of Russia in the last 5 years, irregular investment attractiveness of Russian regions and obvious economic backwardness of a number of them. In drawing up scenario forecasts for development of the endowment funds of Russian universities some experts use the *World Giving Index* (developed by the Institute Gallup in 2010 with the support of the international British Charities Aid Formation) as a strong argument in favor of the pessimistic scenario. This index shows the existing activity and potential propensity of population to the charity. In 2013 Russia was only on 123 position out of 135 countries.

However, it is difficult to agree with the presented results of the research. Propensity to charity, help and support those in need is one of the most archetypal features of the Russian mentality. The question is that the traditional areas of philanthropy in Russia were medicine, sports, culture, environment and education at the school level. Today there is no developed culture of material support for research, commercial projects and public-private initiatives in the society. It takes time and deep serious interpreting work for its formation. Many citizens do not understand the meaning and mission of endowment funds of universities, the principles of their financial work and actual results of projects funded through this mechanism.

Table 6. World Giving Index by the country in 2013¹¹

Rank	Country	WGI in 2013
1	USA	61
2	Canada	58
3	Myanmar	58
4	New Zeland	58
5	Ireland	57
6	The United Kindom	57
...	...	...
120	Lithuania	19
121	Mali	19
122	The Russian Federation	19
123	Serbia	19
124	Montenegro	18
...	...	...
135	Greece	13

The internal barriers of development of endowment funds include the lack of a large number of financially successful graduates (typically for small regional universities); lack of interesting research programs that universities would be ready to show sponsors to raise funds; high initial cost of maintaining effective management team of the fund; insufficiently high standards of business culture on the Internet.

The serious problem of in many existing educational endowment funds in Russia is excessive focus on personal acquaintances of their managers in attracting donations. This means that at the initial stage president of university or any other chairman of university board can attract substantial amounts through personal channels: acquaintance, connections, relationships and so on. But this resource ends pretty quickly. And when it is over, such funds usually do not show a significant growth because the real fundraising activities are no longer conducted. There is no work with the business community and alumni, "cold calls", periodical direct e-mails and so on. That is why the formation of an effective management team of endowment fund aimed at its long-term development, is one of the most important tasks of senior management of the university (Merton, 2012).

In our time the most available and widely used source of information is the Internet. Therefore almost all Russian universities use this channel to address to the large audience and to initiate close contact with alumni and potential partners in future (Hoxby, 2012). This also applies to the web pages of their sites dedicated endowment funds. But here the basic principle of charity - transparency - is often violated. Not all universities spread the financial reports on their endowment activities on their websites or, sometimes, spread them with some incorrect data. User can not always see the file

¹¹ Charities Aid Formation. The World Giving Index 2013.

https://www.cafonline.org/pdf/WorldGivingIndex2013_1374AWEB.pdf

with a report due to internal errors on the site. Some universities spread foggy text descriptions of the funds results in the reporting year, which does not contain any specific figures. Some university sites have restricted access to the pages devoted to the endowment fund, and you need to login using the username and password known only for some students or professors inside the university to gain an access to the endowment information. This drastically reduces the number of potential donors for this university. All of these weaknesses, showing low level of information culture of some Russian universities, reduce the overall level of confidence of potential donors and prevent the opportunity to really evaluate the efficacy and areas of spending donations, which also reduces the likelihood of repeated donations to the fund (Lerner, Schoar, and Wan Wongsunwai, 2007).

6. Conclusion

Perhaps as early as the mid-term perspective availability and specifics of an endowment fund of a university will be an objective criterion for evaluating the effectiveness of research activities. The creation of a ranking of universities based on their fundraising strategies and results, identified the leaders and outsiders in this area, is quite likely.

For higher educational establishments, the availability of endowment funds is associated with not only the possibility to obtain extra financial assets but also the possibility to show the operation success of the establishment, the stability of its position in the market for educational services, and the presence of real development prospects.

Nevertheless, to activate the engagement of universities into fundraising activities, it is necessary to stimulate private businesses, individuals and charitable organizations [2, 5, 6]. Thus, in first 3 or 4 years it would be appropriate to legalize spending of 20-25% of raised donations for the formation and stimulation of a successful management teams. In the future, this percentage could be reduced to the existing 5% or entirely removed. Regardless to the fact that the adoption of Endowment Federal Law, 2006 significantly expanded opportunities to use the mechanisms of public-private partnership on the charity basis in the context of higher education, there still exist a vast number of unsolved problems. To stimulate charity in education, it is reasonable to widely implement the international experience of preferential tax treatment for charitable organizations, businesses and individuals. The elements of such preferential taxation may include a significant decrease in income and property taxes; transfer to excise taxation at the rate of 1-2% of income; exemption from stamp taxes, regarding to securities services, from inheritance or donation taxes; provision of tax credits; tax deduction for individuals, etc.

An important direction of implementing the international experience of charity in education must be associated with the creation of both associations and industry-specific union of donors, of common information platforms for establishing contacts between charitable management foundations, local and federal authorities, and education establishments. This systemic approach to developing the system of financial management of education by activating fundraising activities and engaging private investors and donors will provide with the possibility to accumulate financial resources for the development of the current science and fundamental studies.

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