Andrei Yakovlev, Lev Freinkman and Anton Zolotov

Domestic and external factors in the development of Russia’s economic think tanks sector
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Domestic and external factors in the development of Russia's economic think tanks sector

Abstract

This paper considers the development and current state of Russia’s think tank sector. As in Eastern Europe, international technical assistance played an important in development of Russian think tanks in 1990s. However unlike Eastern Europe, especially new EU members, demand for economic policy input in Russia at the national level has remained strong. As a result, members of Russian expert community today commonly serve in government posts and act as first movers in the consensus-building process for government policy. Russia’s leading economic think tanks have organized professionally to secure a high standard of independent economic analytics and ethical behavior. In this sense, the sector seems more mature than local think tanks in Eastern Europe. While the sector today faces serious challenges from legislative changes that have largely limited the client base to government entities, the economic analysis provided by think tanks remains critical to policy-setting. The findings are based on two surveys of Russia’s leading think tanks. The surveys, conducted in 2012–2013 and 2015, are augmented with in-depth interviews with representatives of Russia’s top think tanks.

Keywords: think tanks, business associations, collective actions, Russian economy, economic policy analysis, demand for independent expertise.

JEL: H41, L84.

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1 Introduction

External observers are often surprised by the vibrancy and competitive structure of Russian organizations involved with economic policy analysis. Russian think tank researchers are independent and routinely criticize the government’s economic policies. They also engage extensively in constructive cooperation with public entities to address specific economic issues.

The government’s reliance on think tanks reflects informal networks that bind experts and key decision-makers within the government. It is not unusual for a senior civil servant to have also worked at some point in his or her career as a researcher or analyst at an economic think tank. Such networks – and the experience they provide – have been a powerful stabilizing factor in the economic policies of the Putin administration. In particular, think tanks mitigate the risk of catastrophic economic errors by a government otherwise prone to overlook or manipulate public opinion.

This article attempts to identify the reasons for the robustness and viability of Russia’s economic think tanks. Our analysis focuses on factors, internal and external, that have enhanced sustainability of the sector for independent analytics in Russia relative to countries in Eastern Europe, including recent EU members. We give special attention to the role of the USAID program “Strengthening Economic Think Tanks” (SETT), which ran from 1999 to 2009. SETT promoted institution building in the sector following the 1998 crisis, and, in our view at least, has been a major determinant of the sector’s current structure.

We also offer an overview of the trends affecting Russia’s independent economic policy think tanks. We limit the analysis largely to independent think tanks specializing in policy studies that employ internationally accepted methods of economic analysis.¹

To flourish, think tanks need clear segmentation of the analytics market and a pool of clients willing to pay fair value for the professional expertise they provide. To assure high quality standards are maintained, most think tanks in Russia have accepted self-regulation through collective action. We thus pay special attention to the role of the Association of Russian Economic Think Tanks (ARETT), the sector’s main professional organization.

Our empirical discussion derives from two surveys of think tank leaders conducted jointly by the National Research University Higher School of Economy (NRU HSE) and ARETT. The first survey, conducted in late 2012 and early 2013, covers 46 think tanks (38 ARETT members and eight non-ARETT think tanks). The second survey, conducted in early 2015, involves 26 ARETT members. In-depth interviews with key economic experts at leading think tanks provide additional input.

The article has the following structure. Section 2 lays out the analytical framework on which our analysis is based. Section 3 contains a brief overview of think tank development in Eastern Europe as a reference to trends in Russia’s think tank sector. Section 4 discusses the development of economic policy analysis in Russia since the launch of market reforms, including the key drivers of development. Section 5 identifies current challenges facing think tanks in Russia and inter-group differences within the sector. Section 6 presents ARETT and its experiences with collective projects. In Section 7, we discuss the contribution of the SETT program to the development of ARETT and the think tank sector. Section 8 concludes.

2 Analytical framework

Motivation for this study was generated by our interest in clarifying the institutional conditions that support sustainable development of a think tank industry in a weak institutional setting. We consider independent analytical organizations (think tanks) as an industry with the potential to produce

¹ “Policy studies” here applies to the fundamental, long-term issues of socioeconomic development of both the national economy and individual economic sectors.
significant public goods. Assuming think tank (TT) input improves the quality of public discussion in key policy areas and promotes consensus within society, what conditions strengthen the sector and what should government and other public sector players do to create an enabling environment?

In an imperfect institutional environment like Russia’s, the knowledge-intense, quality-sensitive TT sector faces a special range of problems. Confronting these problems may require sector insiders to cooperate, not just with each other but also with others in the industry and government representatives. This is especially important in enforcing quality standards and ethical practices.

Our analytical framework starts with an insight from Richard Locke’s 2001 article “Building Trust.” He suggests that a self-organizing urge to cooperate is often manifested in local industries that encounter sudden success in international markets. As examples, he looks at collective action among producers of two hit export products: buffalo mozzarella cheese in southern Italy and varietal mangoes in northeastern Brazil. As demand skyrockets, sector insiders suddenly have to deal with competitive pressures from opportunistic newcomers who cut corners. This behavior harms the reputation of the local product, takes away business from incumbents, and impairs the long-term viability of the local industry. Locke’s study shows that sector insiders (usually the leading producers) fight back to protect their interests through collective action, including enforcement of high quality standards and institutionalization of industry practices.

Locke further shows that targeted public sector actions extend this self-interested cooperation beyond the small insider group to enlarge the scope of cooperation for the benefit of the local economy. In return for government support (granting of a regional trademark in the case of southern Italy and in-kind services of local agency for technological improvement in agriculture in northeastern Brazil), the government expects membership in the organization must be open to all producers willing to meet the agreed quality standards. Increased membership, in turn, strengthens the institutional capacity of the sector organization. The actions of government authorities builds trust among market players and create wider opportunities for collective action.

We refine our analytical framework using the ideas of Doner and Schneider (2000) and Cohen and Rogers (1992) to identify characteristics of business associations that enhance their ability to produce valuable public or quasi-public goods, i.e. something beyond mere interest lobbying. Such attributes include leadership accountability, inclusiveness of group membership and cooperative modes of interaction with other groups.

A further element is institutional capacity, i.e. broad enough coverage of the sector to adequately express member interests and assure access to a sufficiently large pool of professional staff. The institutional capacity of associations largely derives from the selective incentives driving membership and participation. Associations can provide incentives to companies in a sector only if the government has granted them the requisite powers. Thus, the government controls the use of incentives in shaping the growth of business associations.

The ability to offer incentives, in turn, bolsters the status of an association, allowing it to diversify its membership base and motivate member participation. Incentives in such case might include access to participation in commercial negotiations and distribution of government contracts, influence in drafting regulations or standards for the sector, or access to worker retraining programs and technology transfer centers. Locke (2001) offers a caveat about such incentives, however. Associations must be open to all new members on equal terms (including small and medium companies) if they are to avoid becoming a “key club” that manipulates access to incentives for rent-seeking purposes.

2 Locke’s work builds on ideas advanced in Elinor Ostrom’s pioneering work on managing finite common resources (Governing the Commons, 1990).

3 In their analysis of Russian business associations, Pyle & Solanko (2013) point out that the diversity of an association’s membership base is important in determining whether it produces a balanced strategy that takes into account the diverse interests of various enterprise groups.
3 Role of think tanks in the course of market transformation in post-socialist economies

Before applying our analytical framework to the Russian TT sector, we consider the wide emergence and roles of independent think tanks in Central and Eastern Europe over the past quarter century. Freedom House estimates that by 1999 about 140 think tanks operated in the region (Sandle, 2004). The popularity of think tanks in Central and Eastern Europe comes down to four factors:

- **Institutional vacuum.** At the start of market reforms, traditional research centers in socialist countries were generally too academic and removed to advise on practical economic policy matters. They had little experience with market economies or the requisite economic policy design. Further, most newly installed political leaders in transition countries distrusted the heads of the research institutions that had been part of the communist establishment (Krastev, 2000b).

- **High demand.** Market transformation generated great demand for external experts to support government officials and agencies. As budget funding for expert evaluations by government agencies was quite constrained (Avramov, 2007), demand for competent advice was largely satisfied by assistance programs set up by international agencies within partnership frameworks involving Western and local experts. Institutionalization of such partnerships proceeded rapidly thanks to effective cooperation in localizing standard policy recommendations.

- **Collapse of old funding structures.** Cuts in traditional budget financing of academic institutions and universities pushed researchers into new independent organizations with access to external funding (joint programs with international organizations).

- **Need for tailored policy.** Transition accentuated political and ideological differences within these societies. The first wave of reforms saw the coming together of new interest groups and the emergence of political competition. These emergent interest groups needed economic policy recommendations tailored to their specific political objectives.

Foreign funding was critical to economic think tank budgets. Marek Dabrowski, co-founder and fellow of Poland’s CASE Center for Social and Economic Research, notes that the aggregate share of CASE funding from domestic sources (public and private) never exceeded 20% during the 1990s. Thus, the rapid development of the TT sector early in transition was driven largely by access to donor money from Western sources aimed at providing analytical, ideological, and practical support to market reforms in the recipient countries.

Donor saw development of the national network of independent think tanks as a strategic objective. In exchange for financial support, TTs were expected to become institutions capable of improving the quality and tenor of discussion on key economic policy issues, as well as accelerate the formation of national consensus on the pace and direction of reforms. The long-term goal of donors was enhancement of reform sustainability by importing the elements of the TT system from Western (mainly American) institutional environments.

The main approaches to TT start-ups in the region were institutionalization of local support groups through hiring of Western experts in the early years of reform (Stone, 1996), and creation of TTs around a popular personality, usually a well-known politician, for the purpose of promoting a particular political viewpoint. The formation of the Czech Center for Economics and Politics (Centrum pro ekonomiku a politiku, CEP) by Vaclav Klaus provides a textbook example of the second
approach, whereby a “founding father” helps set the developmental trajectory of the institution (Avramov, 2007). High-profile personalities also proved useful in attracting donor funding through close connections with key figures in national government.

The process of integration of Eastern European countries in the EU added impetus to expansion of the TT sector in new EU member states. These governments needed analytical support to participate effectively in the work of European institutions (Boucher, 2004). EU accession increased the access of local TTs to European funding, but also placed them in direct competition with Western European TTs. The existence of such competition (as well as organizational specifics of EU budget programs) explains the active formation of transnational partnerships and associations enabling certain Eastern European TTs to strengthen their competitive position. The TT sector in recent years has gradually consolidated around competitive transnational professional organizations. Relatively weak local TTs have lost out amidst intensified competition and globalization of the expert market (Dabrowski, 2012).

The overarching theme in the literature is that Eastern European think tanks made a significant impact on the pace of market transformation in the 1990s. The heads of Eastern Europe’s leading TTs were ideologically and personally close to leading government reformers. They had excellent opportunities to influence key decisions, especially those involving macroeconomic, monetary or fiscal matters, and played the role of collective advisor to key reformers. Poland’s CASE, for example, worked closely with the Balcerowicz government on macroeconomic stabilization. Similarly, the Lithuanian Free Market Institute played a significant role in the introduction of the country’s currency board. In Bulgaria, the key market draft laws were initially prepared by local TTs, including the Institute for Market Economics and Center for Economic Development (Krastev, 2000b).

Eastern European think tanks secured a sustainable liberal economic consensus already in the first half of 1990s. This allowed market transformation to go ahead even in the face of populist sentiments (Krastev, 2000a). In 1993 and 1994, representatives of former communist parties came to power in a number of countries of the region (including Poland, Lithuania, and Bulgaria) on platforms with anti-market measures. Local think tanks pushed back against the anti-market policies and eventually convinced economic policymakers to stick with market reforms.

Grigorij Mesežnikov (2007) reports that Eastern European TTs became the nucleus for the process of self-organization of national civil societies. They kept up the pressure on ruling elites to prevent back-tracking on market transformation measures. The activism of representatives of pro-market TTs also shut down efforts to peddle alternative economic development strategies in countries with potentially broad political support for such strategies.

The experience in Central and Eastern Europe during the interim of transition and differentiation of political factions suggests that think tanks assumed several important institutional functions of traditional democratic societies (e.g. opposition political parties) and became key drivers of market and democratic transformation. Think tanks gained trust as expert organizations through international recognition, professionalism and formalized missions. With trust was established, TTs were well poised to influence policy (Beliaeva & Zaitsev, 2009).

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4 Klaus helped found CEP after he lost his position as prime minister and Milos Zeman’s socialist government came to power. CEP’s mission was to promote “the ideas of a free society and a market economy as well as the ideas of the great thinkers of liberalism” in Czech society (Kral et al., 2007).

5 CASE is well known for its efforts to disseminate the Polish reform experience to other countries in the region, particularly where the process was especially slow and painful (Dabrowski, 2012).
4 Development of Russia’s economic policy analysis sector

The emergence of think tanks in Russia was similar to that of Eastern Europe. The central driver was the objective need to adapt the prescriptions of modern economic theory to the needs of market reform in a local context. As in Eastern Europe, and more recently in China (Shai & Stone, 2004; Abb, 2013), demand soared for local teams familiar with contemporary theory and relevant analytical methods (Stone, 1996).

Our investigation draws heavily on in-depth interviews of managers at a number of Russia’s leading think tanks to identify common traits of successful Russian think tanks and highlight the key factors of success in the Russian market for policy analysis.

A common feature of successful Russian TTs was the presence of a strong team of experts from the start. Initially, these teams were assembled for specific analytical projects. Many of the founders of these self-formed collectives had had professional careers in top Soviet research centers under the State Planning Committee and the USSR Academy of Sciences.

Russian think tanks were created in two waves. The first wave is represented by TTs formed in the early 1990s such as the Gaidar Institute and the Leontiev Center. The second wave comprises TTs set up in the early 2000s. As in Eastern Europe, Russian TTs initially conducted most major analytical projects within the framework of international programs such as TACIS, the World Bank or USAID. The support from Western charities, particularly the Soros Foundation, was also significant. Initially, foreign experts guided projects and Russian experts played subordinate roles. By the late 1990s, however, Russian experts had acquired sufficient skills and qualifications to manage their own projects. Drawing on this pool of experienced Russian talent, a number of new think tanks were formed in Russia in at the cusp of the millennium, including the Economic Expert Group, the Center for Macroeconomic Analysis and Short-Term Forecasting (CMASF), the Development Center and the Center for Economic and Financial Research (CEFIR).

Along with a strong initial team of experts, the successful think tanks typically launched with either a long-term grant or a major customer. For example, CEFIR started with a five-year grant from the Swedish government with annual financing around US$1 million, while the Development Center was supported in its early years by a consortium of Russian banks. Substantial stable early funding enabled the new TTs to have a strong start, secure a footing in the market and gain recognition as legitimate expert organizations.

A strong team of experts and start-up financing was no guarantee of success. The team receiving the “kickoff” still had to prove its competence. The Institute of Regional Policy (IRP), for example, launched successfully in 2004 with financial and political support from entities controlled by Alexander Khloponin, but then faded into insignificance, perhaps due to the initial instability the IRP team members.

TT strategies depended on the ambitions of their leaders, but were largely determined by changes in the structure of supply and demand in the economic analytics market. The sector initially suffered from acute skill shortages, a lack of domestic funding sources for analytical projects, and no established client base with government entities or the business community. As economic policy research depended largely on international financing, in many instances foreign experts defined what products TT were expected to produce.

By the early 2000s, a number of strong Russian teams capable of independent project implementation had formed and the process of diversification of demand had started. Foreign donors, of course, were still actively present, but the volume of government-funded contracts was growing (reflected in increased R&D budget expenditures) to provide targeted economic policy analysis that reflected the specifics of Russian circumstances. Large business groups also wanted analytical products. Yukos and Mikhail Khodorkovsky sponsored initiatives that included “Open Russia,” the School of Public Policy, and the Federation of Internet Education. Club-2015 supported the INP Social Contract (Institute for National Projects since 2012). Oleg Deripaska businesses were involved
in establishing of Institute for Complex Strategic Studies (ICSS). Andrey Vavilov founded the Institute for Financial Studies. As mentioned, a consortium of Russian banks supported operations of the Development Center.

The broad range of funding sources evidences the persisting uncertainty over Russia’s ultimate economic reform strategy and the relative independence of large business groups. There was a strong demand for ideas from various interest groups involved in public politics. Such a situation objectively provided emerging think tanks with greater operational autonomy and enhanced their independence. This diverse client base and competition for ideas played an important role in accelerating development of Russia’s policy analysis sector in the early 2000s.

Anders Aslund (2012) notes that in early 2000s “Moscow probably had the best economic think tanks in the world outside the US. They were freer, livelier, and more significant than the predominantly state-controlled or underfinanced private think tanks in Europe.”

Russia’s think tank honeymoon was short-lived, however. Countervailing pressure in the market economic policy analysis emerged as the federal government increasingly became the dominant client. This big-client problem reduced demand for ideas at the regional level, especially with integration of regional governors into the nation’s “power vertical” that allocated tax revenues increasingly in favor of the federal government and turned regional governorships into appointed posts. The problem was further manifested in the dismantling of the Yukos oil company that triggered the diminishing political role of large business. In any case, the environment for political competition dissipated and the federal government became the primary source of demand for analytical services.

The curtailment of foreign assistance programs was not due to some specific Russian political restrictions. The oil earnings windfall of the mid-2000s boosted Russia into the World Bank’s group of upper-middle-income countries. International donors were obliged in many cases to reduce the scope of their grant programs in Russia in compliance with their own mandates. Adding to the imbalance in financing sources was the increase in R&D spending by Russian federal ministries and agencies (Fig. 1).

The data in Figure 1 are presented for the period starting 2005. The structure of the federal government changed significantly after the 2004 administrative reform, making it challenging to assemble comparable data for an earlier period. Roughly speaking, however, we estimate that the aggregate funding of expert and analytical R&D in the area of social and economic policy from the federal budget in 2000–2007 in comparable prices increased by a factor of at least eight. The federal authorities had indisputably become the main think tank client base by the second half of the 2000s.

The policy analysis community reacted to this concentration of demand with its own consolidation and concentration of supply. The latter trend aligned well with the ambitions of managers at several major think tanks to capitalize on the historical competitive advantage of their institutions and become “leaders” in the national market for economic policy advice. The struggle for the mantle of leadership ultimately left just two entities standing: the Higher School of Economics (HSE) and the Russian Presidential Academy of National Economy and Public Administration (RANEPA), which was closely integrated with the Gaidar Institute for Economic Policy (IEP). These two groups offered the best and broadest expertise, and enjoyed greatest access to key government decision-makers. As the government contracts flowed to them, both groups actively recruited top experts and expert teams from other TTs.

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As they became the dominant suppliers of expertise in the country in several economic policy areas, the missions of these two major think tanks evolved. It also became evident that their “main customer” was often not in a position to refuse cooperation with them. For the sector as a whole, the concentration of market demand and emergence of two dominant think tanks reduced market competition significantly.

Consolidation initially posed no serious threat to established TTs, because the overall growth in R&D budget financing up to 2008 offset consolidation effects. Less prestigious TTs were sheltered to some extent by an oversight in the drafting of the Federal Law on Public Procurement adopted in 2005, which failed to require qualification and experience criteria in selection of service providers. Given that the public lacked access to the products of commissioned analytical projects and the overall weakness of quality control mechanisms, this legal deficiency encouraged serious distortions in market player motivations, resulting in widespread of plagiarism and corruption.

In contrast, the top think tanks, which had professional reputations to defend, established internal ethical standards. Moreover, as they already had direct access to top managers in federal agencies, the need for corruptive schemes was obviated in many instances. The growth strategy pursued by the big players instead involved entering new market segments, including advisory work for regional administrations and promotion of their services in other post-Soviet countries.

The 2008–2009 recession brought tightened federal budget constraints and an absolute decrease in funding for analytical R&D (see Fig. 1). In the immediate post-crisis period, the overall amount of federal procurement of such services has dropped nearly three times in nominal terms from RUB 2.15

Figure 1  Federal budget expenditure on expert and analytical R&D, RUB million, 2005–2014.

Source: Calculation by Denis Ivanov using data for expert and analytical R&D spending on federal government tenders for analytical projects, 2005–2014. Total annual expenditures on expert and analytical R&D (including direct government contracts and spending under federal special purpose programs, but net of budget R&D financing of public sector organizations) were estimated to include the following group of key federal government clients: Ministry of Economic Development and Trade, Finance Ministry, Department of Presidential Affairs, Ministry of Social Protection (Ministry of Health and Social Development), Ministry of Education and Science (Federal Education Agency), Ministry of Regional Development, Federal Antimonopoly Service, Federal Tariff Service, Federal Tax Service, Federal Agency for State Property Management, and Federal State Statistics Service. Data for Ministry of Industry and Trade and Federal Agency for Science and Innovations are not considered (it is impossible to isolate spending on expert and analytical R&D from the total volume of technological and fundamental R&D financed by those agencies). Data are in current prices and not adjusted for inflation. Data for 2011 include RUB 152.2 million in R&D spending procured by the Russian Academy of National Economy and Public Administration (RANEPA).
billion in 2007 to RUB 0.8 billion in 2010. The decline in demand hit smaller think tanks especially hard.

The funding situation for TTs generally worsened after the adoption of the 2012 Law on Foreign Agents, which essentially made foreign grant financing out of the question. This change affected every TT some extent. The result was the emergence of a development strategy based on “integration with the leaders,” whereby well-established, previously independent TTs changed their status and became structural units within the HSE or RANEPA.

By the end of the 2000s, Russia’s economic policy analysis sector had reached a degree of maturity. With the federal government the main customer for analytical R&D, a distinctive three-tier structure became apparent. On the first tier, HSE and RANEPA (in consortium with the Gaidar Institute) regularly supplied the government with analytical outputs on a broad range of issues (including macroeconomics, social policy, industrial policy, budget sectors regulation, and public administration). Several hundred analysts and researchers were regularly employed by those organizations, including dozens of key experts. The second tier comprised 15–20 large independent think tanks with established track records in specific areas of economic analysis. Their staff generally numbered 20–30 experts, 7–8 of which could be considered key. These think tanks all actively participated in ARETT, and most their leaders at different times were members of the Association’s Board. Finally, the lowest tier included several dozen small TTs working on individual R&D projects for federal agencies or advising regional administrations.

In our view, the emergence of well-developed informal professional networks that unite think tank experts with the government agencies most responsible for formulating national economic policy (the Central Bank of Russia, Ministry of Economic Development, and Ministry of Finance) signals a maturing of Russia’s TT sector. Many senior representatives in these government agencies have spent years working at think tanks. They value independent expert analysis in decision-making and are well aware of the pool of expert talent available in the country. The existence of such professional networks facilitates the promotion of expert assessments inside the administrative system and potentially simplifies the implementation of reform proposals.

The drafting in 2011 of a new version of the Russia’s economic strategy, “Strategy 2020,” might be considered a high point in development of Russia’s TT sector. HSE and RANEPA guided this process, which was organized around 21 expert groups and based on active participation of several hundred experts. Although the revised version of “Strategy 2020” has never been approved as an official government program, it remains the basis for on-going attempts to renew economic reforms in Russia. In line with the ideas of Locke (2001), the very fact of such rapid organization of an immense body of analytical work in itself indicates a degree of maturity and discipline in Russia’s economic expert community.

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7 There are numerous examples of prominent experts from leading Russian think tanks moving to key positions in government service. Andrey Belousov (director of the Center for Macroeconomic Analysis and Short-term Forecasting) became Deputy Minister and Minister of Economic Development and then Economic Adviser to the President (2013–present). Andrey Klepach (Development Center) served as Deputy Minister of Economic Development (2008–2014), and Deputy Chairman of Vnesheconombank (2015–present). Ksenia Yudaeva (CEFir) was Chief of the Experts’ Directorate in the Kremlin (2012–2014) and currently sits on the CBR board (2014–present). Alexei Savatyugin (Center for Financial Markets Research) served as Deputy Minister of Finance (2010–2013). Alexei Ponomarev (Interdepartmental Analytical Center) was Deputy Minister of Education and Science (2010–2012) and currently Vice-President of SkolTech (2013–present). Igor Fedyukin (CEFir) was Deputy Minister of Education and Science (2012–2013).

8 The positive role of such networks in policymaking is consistent with the accumulated international experience and has been confirmed by other research. Specifically, Court and Young (2006) note that “building loose coalitions of researchers and policymakers creates a positive environment for dialogue and acceptance” for recommendations proposed by policy analysts.
5 Challenges to Russia’s think tank sector since 2009

This section considers the results of two surveys of managers of think tanks specializing in social and economic policy analysis. The first survey covers 46 TTs, including 38 ARETT members and associate members, and eight prominent TTs that were not ARETT members. The Market-Up polling company performed the personal interview part of the survey in October and November 2012. The smaller part of the survey was conducted in early 2013. The authors participated in development of questionnaire.

ARETT conducted a second survey in February 2015 using an abridged version of the original questionnaire. Only ARETT think tanks participated in the second survey, which generated 26 completed questionnaires.

As we did not question non-ARETT TTs in 2015, we only include data for ARETT member think tanks in our analysis. Note that all key Russian think tanks currently working in the sphere of applied economic policy analysis are ARETT members. Thus, our 2012–2013 survey captures about 70% of ARETT’s entire membership at that time and the 2015 survey over 50%. We assume that the following data are representative for both the state and dynamics of the entire sector for applied economic policy analysis in Russia.

ARETT is fairly diverse in its composition, with large and small think tanks. The share of large TTs among ARETT members is higher than in the sector in general (which is typical for business associations in most sectors as large and medium-size companies are usually more eager to join associations). Due to this bias in the sample composition, we analyzed our survey data separately for groups of large and small think tanks. We used “number of key experts” as the criterion for classifying think tanks according to size. Key experts constitute the main intellectual resource of think tanks in determining the scale, difficulty, and diversity of projects a think tank can undertake successfully. We believe that the value of contracts and the total staff number, in turn, are derivatives of an organization’s expert capacity. “Small TTs” are those that employ five or fewer key experts; “Large TTs” are those with six or more key experts. There were 22 large TTs out of the total 38 respondents in the 2012–2013 survey, and 16 out of 26 in the 2015 survey.

As demand for economic policy analysis in present-day Russia comes primarily from the federal agencies, most think tanks are based in Moscow. The locations of TTs participating in the 2012–2013 survey are represented by the following cities: Moscow and Moscow Region (28 TTs), St. Petersburg (2 TTs), Barnaul, Vladivostok, Yekaterinburg, Novosibirsk, Petrozavodsk, and Tambov (one TT each).

The financial standing of think tanks is important for characterizing the scope of their activities and their development over time. We posed several questions in this respect during both surveys. Specifically, we asked the respondents to classify themselves according to the size of their think tank’s annual budget. We also asked about the relevant change in the financial standing of their TTs over the past two years and had them evaluate the degree to which available funding had been sufficient for their organization’s development.

A quick glance at Table 1 shows that some respondents failed to answer the first question (especially in the more detailed 2012–2013 survey). Nevertheless, in both rounds nearly half of large think tanks that mentioned an annual budget of over RUB 20 million (approximately $650,000 at the time of the 2012–2013 survey) and somewhat less often referred themselves to the group with the annual budget of RUB 10–20 million. In 2012, small TTs predominated in the two groups with the smallest budgets. In 2015 they were the second and third groups by budget size, but they were notably

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9 In addition to economic policy analysis, these non-ARETT think tanks also engage extensively in political consulting and sociological research.

10 The main findings of the survey are available at http://ecpol.ru/syuzhety/1108-o-sostoyanii-ekspertnogo-soobshchestva-i-ekspertizy-v-rossii.html.
fewer. Presumably, many of the small think tanks failed to participate in the 2015 survey simply because they has suspended or ceased their activities.

The differences in financial standings of large and small think tanks are also evident from responses to the question about the change in their financial standing over the past two years. The group of large TTs had a larger number of positive than negative responses whereas there was a persistent negative trend in responses of small TTs (Table 2).

### Table 1: Approximate size of annual think tanks budgets, ARETT members only

<table>
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<th>Indicator</th>
<th>End-2012</th>
<th>End-2014</th>
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<td></td>
<td>Small TT</td>
<td>Large TT</td>
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<tr>
<td>Under 1 million rubles</td>
<td>5</td>
<td>1</td>
</tr>
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</tr>
</tbody>
</table>

Source: results of think tanks surveys conducted in late 2012 – early 2013 and at the beginning of 2015 by HSE and ARETT.

The same tendencies can be seen in responses to the question about the change in the scope of different lines of TTs’ activity (Table 3). Large think tanks generally reported growth in all activities (except publishing) in both surveys. The responses of small think tanks were predominantly negative (e.g. the decline in the total number of projects in that group of TTs were down on average 19% in 2011–2012 and down 30% in 2013–2014).

### Table 2: Change in financial standing of think tanks over the past two years

<table>
<thead>
<tr>
<th>The financial standing of your think tank during the past two years has…</th>
<th>Small TT</th>
<th>Large TT</th>
</tr>
</thead>
<tbody>
<tr>
<td>During 2011–2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Not changed significantly</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>Worsened</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Refuse to answer</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td>During 2013–2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Not changed significantly</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Worsened</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Refuse to answer</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>10</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: See Table 1.
On the whole, the data in Tables 2 and 3 confirm two prevailing trends in the development of Russia’s sector for economic policy analysis. First, despite the unfavorable macroeconomic and political conditions of the recent years, a number of large think tanks have continued to steadily develop. Second, their development proceeds against the background of persistent market consolidation, pushing out smaller organizations from the market, and increase in the average size of market participants. On the whole, development prospects for small TTs in Russia seem quite poor.

Table 3  Changes in scope of think tank activities, %

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small TT</td>
<td>Large TT</td>
</tr>
<tr>
<td>Consulting activity</td>
<td>–25</td>
<td>+33</td>
</tr>
<tr>
<td>Research and analytical activity</td>
<td>–18</td>
<td>+50</td>
</tr>
<tr>
<td>Data collection, monitoring</td>
<td>–40</td>
<td>+38</td>
</tr>
<tr>
<td>Educational activity</td>
<td>–11</td>
<td>+12</td>
</tr>
<tr>
<td>Publishing activity</td>
<td>–33</td>
<td>0</td>
</tr>
</tbody>
</table>

Changes in the scope of …

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Public events (conferences, forums, seminars)</td>
<td>–6</td>
<td>+14</td>
</tr>
<tr>
<td>Projects in general</td>
<td>–19</td>
<td>+18</td>
</tr>
<tr>
<td>International projects</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Source: See Table 1. The balance values are calculated as a difference between the share of respondents (%) reporting growth in the relevant indicator during the period under review and the share of respondents reporting a decrease.

On the other hand, the current situation is not so rosy for large think tanks either. Despite the ongoing growth in the scope of activity of large TTs, representatives of that group believe that their funding conditions on average have become more difficult in the past years. In particular, 10 of 22 large think tanks in the first survey said their available funding was not only sufficient for supporting current operations but also organizational development. In 2015, only 4 out of 16 respondents said so.

Regarding demand for TT services and products (Table 4), the responses of managers to the more recent survey reflected a negative shift in sentiment. In 2012, half of the large TTs reported that their findings and recommendations were taken into account by policymakers “to a considerable extent.” In 2015, that share had dropped to below 40%. The most common response in the latest survey was that “our recommendations are taken into account to an insignificant extent.” It is also noteworthy that in the 2012 survey, half of the respondents said that representatives of federal agencies sought their expertise either constantly or regularly, whereas in 2015 the share of such responses dropped to a third. Five TTs (about 20% of the respondents) had received no requests for advice from federal agencies during the year preceding the survey.

The data presented in Table 4 and other results of our surveys point to a certain weakening of demand for economic policy analysis by the federal authorities in recent years. This is not surprising and fully corresponds to the obvious decline in interest in the implementation of necessary structural reforms by the Putin’s administration in the environment of the present political confrontation with the West. At the same time, the returns in our surveys confirm the continuation of interaction between think tanks and government customers.
Table 4  Assessment of demand for think tank services

<table>
<thead>
<tr>
<th>To what extent are the findings and recommendations of your think tank taken into account by the authorities?</th>
<th>2012–2013</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small TT</td>
<td>Large TT</td>
<td>Small TT</td>
</tr>
<tr>
<td>To a considerable extent</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>To an insignificant extent</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Practically disregarded</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Not taken into account as a matter of principle</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Refuse to answer</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>16</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: see Table 1.

Regarding the key challenges faced by think tanks (Table 5), we would highlight three main constraints (with little change in importance from the first to the second survey) on large TT development: insufficient funding for serious analytical research, difficulties in communicating analytical results to decision-makers, and the shortage of qualified staff.

At first glance, the complaints by large ARETT TTs about difficulties in accessing senior government executives are unexpected. These are precisely the think tanks have actively participated in the development of Strategy 2020 through intensive dialogue with key government representatives. In our opinion, survey responses here probably reflect the dissatisfaction of respondents with the existing inconsistent practice of implementing their recommendations and disappointment with a lack of political will within the government to address core economic development issues facing the country.

Table 5  Difficulties presently faced by think tanks, (% of respondents)

<table>
<thead>
<tr>
<th></th>
<th>2012–2013 survey</th>
<th>2015 survey</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small TT</td>
<td>Large TT</td>
</tr>
<tr>
<td>Insufficient funding to conduct serious analytical research</td>
<td>81</td>
<td>43</td>
</tr>
<tr>
<td>Difficulties in communicating analytical results to decision-makers</td>
<td>25</td>
<td>43</td>
</tr>
<tr>
<td>Shortage of qualified staff</td>
<td>19</td>
<td>38</td>
</tr>
<tr>
<td>High turnover of personnel</td>
<td>19</td>
<td>0</td>
</tr>
<tr>
<td>Excessive state regulation (reporting, inspections, approvals)</td>
<td>13</td>
<td>24</td>
</tr>
<tr>
<td>Unfair competition</td>
<td>19</td>
<td>24</td>
</tr>
<tr>
<td>Nontransparent funding mechanisms</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>16</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: see Table 1.
Regarding changes from the first to second surveys, we note the growth in significance of the factor “shortage of qualified staff” (especially for small TTs). There have also been more complaints recently about excessive state regulation (particularly from small TTs). There appears to be progress, however, in perception of the problem of unfair competition. Eight TTs (including five large ones) mentioned it as important in 2012. In 2015, three small TTs and one large TT mentioned the issue.

Other significant change over the three years between the surveys was the curtailing of international cooperation of Russian think tanks (Table 3). In 2013–2014, both groups of think tanks reported a negative balance for the dynamics of the number of implemented international projects. On the whole, half of small TTs and nearly a third of large TTs had no international projects at the time of the 2015 survey. In our opinion, the drop in international contacts is an extremely unfavorable sign. Cross-border cooperation is an important tool for enhancing the expert level of any analytical organization. It is doubly important for Russian think tanks, which in many cases are institutionally young and many of their employees lack basic economic training at the level demanded of their counterparts in advanced economies.

It is hard to believe that Russia’s lack of international think tank projects simply reflects a lack of demand for such cooperation in the sector. Rather, the problem is more likely related to recent political barriers to international cooperation. This creates additional constraints for sustainable development of the sector for economic policy analysis and hampers efforts to improve in the quality of Russian expertise. In terms of opportunities for international cooperation, the present-day situation in countries of Eastern Europe is fundamentally more favorable to local TTs (Dabrowski, 2012).

Another important feature in the development of Russia’s think tank sector is connected with its structural diversity and high territorial concentration. Historically, the core demand for new ideas and analytical R&D has been generated in Moscow. Combined with the human capital inherited from Soviet research institutions, this has resulted in the concentration of most TTs (especially the largest and most prestigious TTs) in the Russian capital. While the Moscow-based segment of think tank sector can fairly be described as mature, the national demand for quality policy advice is not being met – especially at the regional level. In recent years, the main thrust of policy reform efforts to create an enabling environment for economic development (including reforms of the investment climate, restructuring in production of public goods, budget adjustment, and strengthening incentives within the public administration and budget sector) has been increasingly focus on the regions. Yet most regions have hardly any local analytical support for regional reforms.

Large Moscow think tanks have responded to this supply-demand gap, of course, and now offer outreach to the potential regional client base. The 2015 survey identified three large TTs that are in permanent contact or regular contact (2–3 times a month) with regional authorities. Five other TTs mentioned receiving such requests occasionally (3–5 times a year). However, the majority (7 out of 10) of small TTs, located mainly outside Moscow, reported in 2015 that they were seldom contacted by local and regional authorities (once or twice a year) or not addressed by them at all. In our view, this reflects a structural distortion in the TT sector development. Even in regions where the authorities have a genuine demand for expertise and their local experts lack the needed qualifications and analytical skills, Moscow’s most sought-after experts were often reluctant to cooperate adequately with regions as needed.

Some of the core problems facing Russia’s economic policy analysis sector at the moment, including declining influence of TTs in decision-making processes, difficulties in obtaining trained personnel, and the spread of unfair competitive practices, can only be successfully tackled only through collective action.
6 ARETT: An emerging tool for collective action

The Association of Russian Economic Think Tanks (ARETT) was founded in October 2002 by Russia’s 15 leading think tanks, including the Gaidar Institute, CMASF, Development Center, Economic Expert Group, Leontiev Center, Independent Institute for Social Policy, and CEFIR. ARETT seeks to support independent think tanks and the professional economic community to promote national social and economic development and increase the public welfare. The main tasks of ARETT include promulgating professional standards for economic think tanks, disseminating research results and encouraging a dialogue between experts and Russian society. ARETT’s board, elected annually, was to consist of nine members, including its president.

USAID’s “Strengthening Economic Think Tanks” (SETT) program, as discussed in the next section, played a significant role in ARETT’s formation and early development.

In its early years, ARETT’s activities were aimed at development of basic support infrastructure for its members such as purchase of statistical and analytical information, holding joint press conferences and publication of yearbooks. ARETT also sought to consolidate and expand the association’s membership. During 2003–2005, ARETT admitted 14 new members and 23 associate members. The format was conducive to strengthening ARETT’s link with universities by allowing admission of university research centers as associate members.

ARETT’s membership stabilized in 2006 at around 50. In 2011, ARETT introduced a graduated fee structure for annual memberships (ranging from 10,000 to 50,000 rubles per year), a practice common to many business associations.

ARETT launched a debate club called “Economic Policy Nodes” to provide a public forum for professional discussions accessible to a wide group of stakeholders. Monthly events have been held since the spring of 2006 at the Department of Economics in Moscow State University. Another professional forum is the annual ARETT conference held every autumn. The conference allows association members to present their vision of key challenges facing the Russian economy.

The University Project, launched in 2007 with financial support of the Oxford-Russia Fund, provided students from leading economic universities with an internship opportunity at an association research centers. The project aimed at closing the gap between Russia’s basic economic education and the demands of world-class analytical research. The University Project can be regarded as a collective response of the analytical community to Russia’s lack of qualified staff and as a relatively inexpensive means for introducing young researchers to the demands of work at think tanks.

The University Project (2007–2013) allowed some 70–90 students each year the opportunity to work from four to seven months at various TTs. The number of students applying for the program in recent years was nearly double the number of internships available.

Other ARETT operations include interaction with the media to disseminate the views of experts at member TTs. Articles written by ARETT members regularly appear in the Moscow News or on the Forbes.ru website. In 2012, the association launched the ARETT Medal in recognition of research in economic analysis and a “New Generation” prize. The awards are intended to increase public awareness of outstanding individual contributions of Russian economists in the area of economic policy analysis in Russia and encouraging the careers in promising young experts.

Table 6 summarizes the views of think tank respondents concerning various aspects of ARETT’s operations in 2012–2013 and 2015. In both surveys, the top activities were the annual

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12 ARETT’s charter envisages participation of members with “associate status” in the association’s work. Associate members are think tanks that lack an independent organization such as think tanks that are structural units within other legal entities.

13 During ARETT’s existence, 24 think tanks have let their memberships lapse. In about two-thirds of these cases, the lapse was due to the think tank’s suspension of activities or its closure.
conference, the University Project, the debate club, and dissemination of information on projects of individual TTs. Large TTs ascribe greater importance to the University Project.

Table 6  Assessment of relative importance of ARETT projects by association members  
(Respondents considering project important for their think tank’s development, %)

<table>
<thead>
<tr>
<th>Project</th>
<th>2012–2013 survey</th>
<th>2015 survey</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small TT</td>
<td>Large TT</td>
</tr>
<tr>
<td>Annual conferences</td>
<td>75</td>
<td>59</td>
</tr>
<tr>
<td>University Project</td>
<td>38</td>
<td>77</td>
</tr>
<tr>
<td>Debate club</td>
<td>50</td>
<td>64</td>
</tr>
<tr>
<td>Development of professional standards, fight against plagiarism and other unfair practices</td>
<td>44</td>
<td>50</td>
</tr>
<tr>
<td>Participation in organizing committee of the National Prize in Applied Economics</td>
<td>6</td>
<td>27</td>
</tr>
<tr>
<td>Dissemination of information on think tank activities</td>
<td>75</td>
<td>50</td>
</tr>
<tr>
<td>Publication series in <em>Moscow News</em> and on <em>Forbes.ru</em></td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>Protection of corporate interests of think tanks (taxation, registration, etc.)</td>
<td>50</td>
<td>45</td>
</tr>
</tbody>
</table>

*Number of respondents*  
|                                                                           | 16      | 22      | 10      | 16      |

Source: see Table 1.

By the late 2000s, ARETT had reached a degree of maturity that was evident in the increased level of trust among its members and improved coordination of activities. Regular changes in the association’s leadership (both president and board members) indicated that ARETT was moving toward become a sustainable organization. ARETT facilitated collective action for protection of the common interests of Russia’s analytical community, most notably in its insistence on professional standards of analytical activity and its fight against plagiarism.

In order to limit unfair competition in the sphere of economic research, ARETT in 2011 developed and adopted *Principles for Conducting Analytical Work and Presenting its Results* and *Criteria for Scientific Recognition of Results of Applied Economic Research* as the basis for reviews of ARETT’s Professional Ethics Committee. The committee’s actions include investigations of complaints concerning improper borrowing of copyrighted material and overt plagiarism. In reviewing such complaints, the committee works to protect copyrights of experts working at ARETT member TTs. In view of the public nature of this activity, it as seems has influenced the change in government practices related to acceptance of analytical reports by government customers. Most federal agencies in recent years have introduced procedures for checking commissioned analytical reports with plagiarism-detection software. Such improvements may diminish the perception of unfair market competition noted in the results of our 2015 survey.
Another important example of ARETT’s collective actions include the Statement of Research Economists in connection with government inspections of NGOs to check their compliance with the Law on Foreign Agents. The statement was signed by 55 leading Russian experts in May 2013 and accompanied by the publication of an article authored by a group of experts “Expert Community: Strange Agents” in the newspaper Vedomosti.

Political developments in Russia in recent years have limited ARETT’s activities. Its many think tank members, originally established as NGOs, and ARETT itself have become the target of inspections by the Prosecutor General’s Office under the Law on Foreign Agents. This had caused, among other thing, the suspension of the University Project and a relative decline in the scope of ARETT’s activities in other areas. As a result of these political developments, the association’s future operations (and the closely related institutional strengthening of Russia’s think tank sector) largely depend on the success of ARETT and the research community at large in mobilization of funding from domestic sources to replace foreign resources that are currently unavailable to Russian organizations.

A number of surveys have shown that successful medium-size companies often initiate the creation of industrial associations in Russia (Yakovlev & Govorun, 2011). Looking at ARETT’s establishment and development in a comparative context, it is noteworthy that the processes of self-organization in the think tank sector were in many respects similar to the formation of industrial business associations in Russia. This reflects the fact that it is easier for market leaders (i.e. the largest companies) to solve their problems (especially those connected with state regulation) through direct interaction with the government. Medium and small market players generally lack sufficient influence to approach the government directly. At the same time, medium-size players have advantages over small organizations in terms of opportunities for coordinating their activities. First, they are fewer in number than small organizations, so it is easier for them to agree with each other. Second, due to relevant sustainability attained by these organizations, their managers can devote time to public activism by participating in association work. Thus, medium-size organizations potentially have greater motivation to join and participate actively in business organizations.

Comparing the above industry-wide trend with the developments in the sector for economic policy analysis, it is apparent that ARETT think tank members started to face increased competitive pressure in the 2000s. These pressures came both from the market leaders (HSE and RANEPA), and small players that were offering their analytical services at a discount. This created a situation where ARETT intervention was appropriate. The process of collective action has become particularly prominent in the new environment of tight budget constraints in the sector after the 2008–2009 crisis. At the same time, following the logic of Doner & Schneider (2000), the SETT program and the University Project, supported by the Oxford-Russia Fund, can be considered as the mechanisms for providing think tanks with “selective incentives” for participating in the Association’s work.

7 SETT: successful international support for national-level economic policy analysis

USAID’s “Support for Economic Think Tanks (SETT)” program was launched in 1999 and operated through a cooperative agreement with the Moscow Public Science Foundation (MPSF). The original program had a modest $3.4 million budget to be allocated across Russian think tanks as small competitive grants for applied economic policy research and to facilitate institutional development.

SETT was part of a USAID country program aimed at extending the participation of Russian organizations in socioeconomic reforms (USAID, 2002). The program was considered experimental at the time (Greshnova et al., 2001).
The main tool for implementing SETT was allocation of one-year grants for applied economic research projects. In principle, any independent think tanks operating in the sphere of economic policy analysis or expert team planning to establish a think tank were eligible for the grants. SETT grants were something new to the market for economic policy analysis in Russia, where projects tended to be for no more than six months. Under such circumstances, the relatively small SETT grants constituted “long-term” funding. They helped secure financing for a few employees and provided stability for the recipient organization. Unlike the projects funded by government agencies or other international organizations, SETT grants were typically for research proposals defined by the think tanks themselves within the overall program’s set of thematic priorities. Thus, they provided an opportunity to build up expert capacity in selected areas and lay groundwork for future operations.

An internal evaluation of the program by USAID after its first two years (Greshnova et al., 2001) found that 464 proposals were submitted for financing applied research and development of TTs during seven grant allocation rounds. Of these applications, 58 proposals (12.5%) received funding. The average grant in the initial SETT period was about $20,000.

Three types of grants were available: research grants, development grants for institution building, and “quick grants” focused on priority policy issues spelled out on a list from the Russian Ministry of Economic Development. Quick grants were intended to strengthen cooperation between the analytical community and the government, as well as increase official demand for independent expertise.

The key feature of the SETT program was its focus on institution building at think tanks. A condition of support to a team of experts was that they establish their think tank as an independent legal entity during the project implementation. While some of these new organizations failed, a few bets paid off handsomely (e.g. the CMASF team formed at the RAS Institute of Economic Forecasting).

The SETT program also fostered cooperation between Russian TTs and foreign analytical centers. This helped enhance the quality of research done by Russian think tanks and facilitated the strengthening of horizontal links between them. Several international conferences were held in Russia and abroad and a special Regional Think Tank Partnership Program was initiated to support cooperation within the framework of tripartite partnerships that include think tanks from Russia, countries of Eastern Europe, and OECD member states. For many Russian participants, these partnerships substantially extended their long-term capabilities for participation in international projects and strengthened their status in the eyes of potential foreign partners.

The aforementioned initial self-evaluation of the SETT program notes its paced rollout achieved the intended objectives. There was intense competition for grants, wide geographic representation of winners, and prompt response of participating think tanks to requests from government clients. Moreover, “the small investments that the SETT program made in this area were quite cost-effective in terms of helping small groups of researchers to create an institution” (Greshnova et al., 2001, p. 26). Half of the grantees indicated that the experience allowed them to shift from an academic emphasis in their work to a focus on policy development.

Three aspects of the design and implementation of the USAID program were at the core of its success:

- **Favorable timing.** The SETT program was launched immediately after the 1998 crisis and the government’s default. It helped fill a gap in funding for analytical work when traditional Western sources of think tanks financing started to dry up and Russian financing was still practically nonexistent (domestic funding took off in 2003). During this window of opportunity, a relatively small amount of funding could make a significant impact on the incentives of the leading local players and facilitate significant changes. Despite the small

14 More recent evaluations of SETT are unavailable.
size of SETT grants, they had considerable reputational value. In her assessment, Ekaterina Nikolaeva, who worked for the MPSF at that time, wrote “SETT helped Russia’s leading think tanks develop track records, gain experience and earn reputation” (Nikolaeva, 2003). In many cases, the SETT grants laid the ground for more substantial financing from other international organizations.

• **Qualified Russian partners.** MPSF had practical experience of implementing competitive programs of research grant funding and establish trust within the research and expert community. In addition, Russian experts selected to the program’s council had good knowledge of local conditions and understood both the capabilities and needs of the main players at the Russian market for economic policy analysis.

• **Focus on institution-building rather than immediate results.** USAID program did not require prompt solutions to economic policy problems in Russia or that the participants demonstrate success in advancing a particular economic reform. Instead, it emphasized support of institutionalization in Russia’s think tank sector as its long-term development objective. This strategy had four elements: assistance in the formation of a self-regulated professional organization, development of a transparent system of competitive grant financing for applied economic research, fostering partnerships between think tanks and government decision-makers; and facilitating networking inside the sector.

SETT played a prominent role in the establishment of ARETT. Indeed, one could even say that the SETT council, which was set up to decide on allocation of program grants, was the precursor to ARETT. The council consisted largely of key think tank managers and provided a forum for professional exchanges, discussion of the challenges faced by the think tank sector, and articulation of common interests. Joint work on the distribution of grants facilitated trust among representatives of competing think tanks. ARETT’s original membership consisted mostly of think tanks represented at the SETT council and the think tanks that had been most successful recipients at winning SETT grants.

ARETT evolved naturally through SETT principles into a professional association open to wide participation based on institutional membership that was interested in long-term development of its sectoral market. Notably, the SETT program largely assumed startup costs for supporting such cooperation by providing ARETT with an “institutional” startup grant. Therefore, the USAID program has generated additional incentives for self-organization of the expert professional community. ARETT’s interests since the very first days of its existence have focused on the issues related to sustainability of the sector development, i.e. raising the quality standards of applied research, development of fair competition, and training think tank professionals. Applying the term of Richard Doner and Ben Ross Schneider (2000), SETT was a successful exercise in technical assistance at forming “market-supporting institutions.”

The prominent role of grant recipients (i.e. sector insiders) in the work of the SETT council and its grant decisions constitutes an important feature of this program’s design. The allocation of grants to support think tank operations by a “committee” of recipients is a rather unorthodox approach to channeling donor assistance. Traditional recommendations on mechanisms for donor grant allocation to think tanks (McGann, 2006) emphasize the need for independent external (and detailed) vetting of potential recipients.

In other words, USAID demonstrated considerable trust toward the specific group of Russian insiders. We believe that this trust has proven fully justified. The logic of USAID intervention under the SETT, as well as actual program accomplishments, is fully consistent with the argument of Locke (2001), i.e. trust among market participants can be built through a sequential process that blends
elements of “encapsulated self-interest,” government intervention, and mechanisms for self-governance and monitoring developed by the actors themselves. Trust, once established, becomes a basis for further cooperation and market enhancement.

The key difference in ARETT’s case is that it evolved out of an intervention by an experienced donor organization rather than government intervention. USAID played a role that under different circumstances should have been played by the Russian government. It provided selective incentives for self-organization and formation of an independent professional association interested in and capable of conducting systematic work on strengthening a competitive market in the sector.

The SETT council’s members, as mentioned, were mainly managers of Russia’s largest think tanks. Theoretically, such governance set-up is connected with a risk of formation of a closed cartel: insiders distribute donor or budget funds among themselves and are not interested in the emergence of new players or in development of accountability mechanisms. In the case of SETT/ARETT, this risk was mitigated by the following elements of the program design: the relatively small size of the grants, an extensive selection process to identify representatives on the council, and the presence of an experienced international partner (in this case, the IRIS Center of the University of Maryland).

Of these three factors, the high bar in selection of representatives to the SETT council probably played the most decisive role. Every selected insider was a local market player with a sound professional reputation. The reputational risks (potential losses) from manipulation of program benefits for private gain were higher than any potential rewards from “privatizing” program grants.

8 Conclusions

Even in its current weakened state, Russia’s independent think tank sector is more sustainable than it might appear to an external observer. Unlike the former socialist economies of Eastern Europe, where the field for independent national-level economic policy narrowed after EU accession and the interests of local players shifted to influencing policy in Brussels, Russia’s long-term factors supporting the sustainability and independence of leading expert organizations remain in effect. Moreover, the economy of new EU member countries is today dominated by international corporations, which has reduced demand for the services and products of local think tanks.

Russia’s strong national analytical sector emerged out of efforts of powerful national companies, whose management actively sought to influence the formation of the country’s economic policy early in the economic transition and the government’s subsequent efforts at “restoration of the state” requiring analytical support. With the country’s long-term strategy and development model still under debate, Russia continues to experience a large, unsatisfied demand for economic policy analysis and expert assessment. The sector’s existence is further secured by well-developed informal professional networks that unite think tank researchers and managers at government agencies.

On the whole, Russia’s experience shows that a robust national analytical sector is a valuable public good that provides potential consumers – the government, business community, and society – with professional input on their economic policy choices. Moreover, as seen in the late stages of the Soviet Union, the absence of a professional analytical community entails its own risks and costs. In any case, the availability of high-quality policy analysis depends not only on the efforts of individual think tanks but also on the state of the sector infrastructure: professional standards, HR reproduction systems, the adequacy of the information environment, and forums for discussion – tasks addressed largely in the recent years by ARETT. In our view, the successful development of the think tank sector in Russia has largely been possible owing to the activity of this association.

Russia’s current political leadership unfortunately fails to grasp the value of independent policy analysis as a stand-alone public good, so we hold no hope that this situation will improve in the medium term. The basis of long-term sustainability of the TT sector requires the emergence of new sustainable sources of demand for expertise that are not connected administratively with the federal
government. The main contenders for this role are the Russian regional authorities and large private businesses.

Our analysis also highlighted the role of USAID’s SETT program in supporting the Russian analytical sector. Its impacts went beyond supporting individual think tanks and delivering analytical solutions to specific Russian policy problems by helping to advance institutional development of the entire TT sector. Above all, SETT helped nurture the establishment of the sector association that became a tool for self-development of the market for policy analysis. The experience demonstrated that a self-regulated professional organization with a small amount of external support could quickly become quite capable at supporting institutional development of its member organizations and playing a role in establishing market-developing rules for the sector.

The SETT experience confirms the argument of Doner and Schneider (2000) that the provision of selective motivations by the state or its representatives can be an effective tool for forming open, representative business associations capable of supporting the expansion of sector markets in ways that favor the majority of the players. The SETT experience follows the pattern identified by Locke (2001), whereby the actions of government authorities accelerate the building of trust among market players and increase opportunities for collective action. The difference in SETT’s case is that this role would have been played by a government agency in more typical circumstances.

The current situation in Russia brings considerable risks for independent think tanks. These risks include the disturbing trend of strengthening government control, intolerance of competition of ideas, and concentration of demand to a few federal government institutions. The tendency toward restriction of international cooperation is particularly disconcerting as it is fraught with the risk of self-isolation.

At the same time, Russia’s troubles at the moment objectively strengthen demand for independent economic policy analysis. The country must reconsider its economic development model, yet there is no consensus among the elites about what the new economic model might look like. Proposing the elements of a new model constitutes the task at hand for Russian think tanks amidst deepening crisis trends.

In our opinion, the current maturity in development of the Russian TT sector generates certain hopes that representatives of the Russia’s expert community will become the first movers in the process of building consensus, defining a new economic development model for the country, and offering it to the main elite groups. The advantage of the expert environment is that, despite vast differences in opinion, it retains interpersonal trust and preserves the tradition of open discussion of key problems. Russian experts are capable of conducting in-depth analysis of the problems encountered by the national economy and unafraid of discussing their findings in public. It seems quite important in this situation that think tanks retain the initiative and keep “proposing the ideas that could on their own generate necessary demand for them.”

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15 Buldioski (2010) points to the importance of a competitive political environment for raising the quality of research conducted by think tanks. Think tanks that are fully integrated into the system of relations within the ruling national elites encounter less competitive pressure to maintain a reasonably high standard of analytics.
References


