

**Russian Nonprofits as Contracted Providers  
of Municipal Social Services: Initial Experience**

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## **Abstract**

In the Russian Federation the delivery of social services to deserving population groups is mostly the responsibility of municipalities and other local governments. Services are delivered by municipal agencies. One way to inject competition into the delivery system is for local government to hold competitions to contract for social service delivery. The competitions can be open to nonprofit organizations (NPOs), some of which have been providing assistance in recent years to needy individuals and families similar to those that would be contracted.

This paper reports the results of an assessment of pioneering pilot competitions for the delivery of social services in three municipalities in 2000-2001: Perm, Velikii Novgorod, and Tomsk. The objective of the pilots was to determine if the local governments could hire NPOs to be service providers following a rigorous and fair competitive process and whether the selected NPOs would do an adequate job in delivering services. In general the results of these competitions indicate the extent of the challenge to improving service delivery in Russia. It seems fair to say that the competitions in Perm and Tomsk were essentially a competitive grant process where the winners were more or less free to determine the services actually delivered. On the other hand, the Novgorod competition had much more in common with a contractual procurement of social services—the competition was nominally open to firms of all legal forms and the services were well-defined. In execution, the reality in Novgorod fell far short of this model.

## **Background**

A decade after the initiation of the transition in Eastern Europe and the Soviet Union it is clear that the non profit sector has developed remarkably in many countries in the region. Progress is especially striking in Eastern Europe; on the other hand, development has been notably limited in most countries of the Commonwealth of Independent States (CIS) where liberal democracy has had little chance to take root.<sup>1</sup> Kendell, Anheier, and Potucek (2000) give a useful summary of the challenging situation today:

Characteristic features [of nonprofit sector development] have included extensive evidence of intraregional diversity in terms of organizational resources and capabilities; policy turbulence, unpredictability and ambiguity in some countries, fuelled as many national and local governments have been either unwilling or unable to provide sustained political financial support (sometimes despite symbolic or rhetorical commitment); and the exertion of powerful influence by agencies from outside the region, including foundations and EU institutions. (p.103).

Nevertheless, the emergence of the non profit sector has been one of the principal hallmarks of the transition. But even in Central Europe where development has been most pronounced the sector remains on an infirm financial footing.

Another hallmark of the transition has been the devolution of responsibility for service delivery in many sectors from national to local governments.<sup>2</sup> This has generally included the provision of social assistance and social services. Decentralization has been much greater for program administration and service delivery than for program design and funding. But funding responsibility has often shifted more in reality than stated in the law because of unfunded and underfunded national mandates.<sup>3</sup> Examples of

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<sup>1</sup> Anheier and Seibel (1998), Kuti (1999), Hyatt, Cooper and Knight (1998), Nowicki (2000), Quigley (2000).

<sup>2</sup> Kirchner (1999); Wallich (1994); Bird, Ebel, and Wallich (1995); Freinkman, Treisman, and Titov (1999); Horvath (2000).

<sup>3</sup> Wallich (1994); Freinkman, Treisman, and Titov (1999) for Russia. Note that underfunding by the Russian national government initially places the burden on regional governments (Subjects of the Federation). But the regions are able to vary their contributions to local governments' revenues through an elaborate set of negotiations.

reformed programs that assign administration to local governments include the restructured child allowance programs in both Poland and Russia and the creation of housing allowances in a number of countries that permit phasing out rent controls in municipal housing (Struyk, 1996). Municipalities have some role in determining program parameters--e.g., in some countries the rate at which rents are increased in the housing allowance program--but program design is nonetheless substantially determined at the national level.

The decentralization and reorientation of government functions has required or will entail both the modification of existing local government agencies and the creation of new offices to administer programs transferred to localities, as well as some newly established programs. In Poland, for example, the decentralization of social assistance proceeded in two steps. In 1990 responsibility of many services were transferred to local governments. Then in 1999 additional services were transferred and this required the creation of new Family Assistance Centers in each of the country's over 350 districts (*Powiats*) (Regulski, 1999, p. 44).

In the Russian Federation and most countries in the Commonwealth of Independent States, the transition period has witnessed the introduction of new social services by local governments to address such problems as care of noninstitutionalized disabled children, victims of domestic violence, and drug business. These programs have emerged as a result of a variety of pressures: to reduce reliance on institutionalization, to move away from forced treatment of those with alcohol and drug dependencies by the justice system, and to respond positively to the demands of the newly active nonprofit organizations (NPOs). While many of these services were pioneered by NPOs, local governments often created agencies to expand the scale of delivery. (In this paper we use the term "nonprofit organization" to mean non governmental and non profit organizations.)

For social services, local governments throughout the region often have the authority to determine how services will be delivered: through municipal

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In the end, municipalities can end up bearing much of the burden of the national-level funding shortfalls. In general, underfunding occurs because of gaps in the coverage of

agencies, contracting out to for-profit or nonprofit entities, or possibly grants to NPOs.

There is great potential for NPOs to be contractors to local governments for these services. Many NPOs are now engaged in the kind of counseling, special education and personal assistance service areas where local governments have the primary responsibility. In some countries in the region NPOs already receive grants from local governments to provide social services. But grants are more subject to budget cuts than the delivery of core services under contracts: at least in some cases the services provided through grants are viewed as supplemental and non essential. By delivering municipal social services NPOs could stabilize their financial base and still serve their communities.<sup>4</sup> From the municipality's perspective, compared to grants contracts permit greater accountability and a stricter definition of services to be provided. But this is only the case if contracts are well drawn and enforceable and monitoring is undertaken by the responsible local agency.

This paper presents a description and assessment of pioneering contracting efforts in three Russia cities during 2000-2001: Perm, Novgorod, and Tomsk.<sup>5</sup> To provide essential contextual information the next two sections briefly review the overall record on the effectiveness of contracting out by local governments and the rationale for NPOs to be competitive in the market for providing such services. Following this the focus shifts first to the environment for the pilots and then to a comparative description of the experience with major elements of contracting out in the three cities—ranging from the experience in holding competitions through the actual delivery of services. The last major section reviews the strengths and weaknesses observed and lessons learned through this experience.

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national programs that have to be filled from local resources.

<sup>4</sup>One must note, however, that acting as contractors has posed problems to some nonprofit in remaining true to their basic missions. See, for example, the discussion in Smith and Lipsky (1993) and Boris and Steuerle (1999).

<sup>5</sup> A fourth city, Arzamas, participated in the project. It signed a contract with an NPO too late to be included in this assessment.

## **Contracting Out: Does It Work?**

Outsourcing for services is now commonplace among local governments in first-world countries where it has a proven record of effectiveness at the local level.<sup>6</sup> Indeed, the Anglophone nations embracing the “New Public Management” paradigm are pushing hard to contract out many national-level administrative tasks (Ingraham, 1997; Ferlie et al., 1996). Some aid agencies are promoting the same principles.<sup>7</sup> Nevertheless, while decentralization of responsibilities to local governments in transition and developing nations has proceeded apace, contracting out has been employed to a relatively limited extent. One reason is that decentralization of responsibilities is not always accompanied by local governments receiving more flexibility to determine how to deliver services or by know-how to contract out effectively.<sup>8</sup>

Contracting out by local governments to NPOs and for-profit firms for the delivery of certain services in many cases is an efficient alternative (i.e., better quality services at lower costs) to providing the same services with government workers.<sup>9</sup> Introducing competition—among private entities or between private entities and government agencies—is seen as the essential ingredient. Outside of industrialized countries, there is evidence to support the assertion of efficiency for the maintenance of municipal housing in Russia.<sup>10</sup> Morales-Gomez and Torres (1999) report mixed findings in developing countries for contracting out education and health services. Similarly, Batley’s (2000) summary report on the experience of several developing countries in the “Role of Government

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<sup>6</sup> See, for example, K. Walsh and H. Davis (1993); Alam and Pacher (2000, pp. 367-69); Liner et al. (2001), Section 5; and Donahue (1989), Chp.4.

<sup>7</sup> The British are leading reforms following this model in Tanzania, for example (Therkildsen, 2000).

<sup>8</sup> All of the major multilateral and many bilateral donors support giving local governments administrative flexibility. But at least in some cases more freedom in this area has not come with decentralization. Chile’s nominal decentralization of the education and health care sectors is often cited as an example (Aedo and Larranaga, 1994).

Of course, decentralization and provision of greater freedom may well lead to a deterioration rather than an improvement in assistance if local capacity is inadequate. This point is made for example in Hilderbrand and Grindle (1997).

<sup>9</sup> For successful examples, see OECD (1997).

Project” in contracting for health and water services cites “notably successful cases” but it also cautions that success depends on implementing this approach in a well-prepared environment.<sup>11</sup> On the other hand, essays in Brook and Smith (2001) describe positive experience for a range of sectors and countries.

Beyond improving efficiency in service delivery, contracting out can increase accountability in the use of public resources. Contractors will press hard for the monies due to them for services delivered and thereby restrict the ability of agencies to shift funds to non service purposes. Additionally, clients are likely to be more willing to complain about poor services when they understand that complaining may lead to some good, i.e., contractors can be disciplined or dismissed—a sea-change from dealing with a monopolistic agency. In effect both clients and the city agency monitor contractors whereas city agencies are essentially self-monitoring (Cohen and Peterson, 1999, pp. 94-6).

To realize the promise of contracting out, experience indicates that at least four conditions must be met: reliable program funding (without which contractors may not be paid and accountability may not be possible); a competitive process that is fair and open and where the announcement is precise about the services to be provided and the criteria on which competitors will be judged; a well-drawn contract, including a precise definition of the services to be provided; and, a monitoring system in place so that contractors can be held accountable for their work. These four conditions certainly have not always been met in the Eastern Europe -CIS region where contracting out has been adopted.<sup>12</sup> Consequently, the overall record is mixed. But the results appear generally positive when local governments have had the capacity to implement contracting out.

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<sup>10</sup> On the experience with housing maintenance in Moscow see Angelici, Struyk, and Tikhomirova (1995); similar evaluation findings were found for programs in St. Petersburg and Ryazan.

<sup>11</sup> Evidence is generally sparse on the record on contracting out in the social safety net area, even in the United States (Nightingale and Pindus, 1997).

<sup>12</sup> For Hungary, for example, see Baar (1998).

## **Why Nonprofits?**

Can NPOs operate successfully in delivering social services for local governments? There are NPOs active in the social services area in both developing and transition countries.<sup>13</sup> So the evidence would seem to be supportive. Based on its experience, the World Bank supports the use of NPOs in providing social services:

Partnerships with nonstate actors can help increase the range of social services that is available, improve quality through competition, and foster greater public participation and ownership of social assistance programs in civil society (World Bank, 2000, p. 309).

But what is it that is special about NPOs? Some NPOs will bring one or more of three advantages to the delivery of social services compared with for profit providers. First, they have valuable experience gained in providing many services in the course of their charitable work. Second, their staff payment structures are often significantly lower than for-profit firms. Third, the dedication of their staff to providing assistance and their sensitivity to client needs and potential may result in greater client satisfaction. A significant limitation of many NPOs is their limited capacity and their inability to expand their capabilities quickly in response to the chance to compete to deliver additional services.

For profit firms sometimes have the advantage of size and they may organize the delivery of services more efficiently. In the interest of efficiency, the for profit firms could, for example, do a better job at scheduling the visits of their staff to the homes of clients, for example by grouping visits geographically and minimizing the down time between appointments. They could also make certain that the staff consistently have all the materials needed for the visit by carefully following the case management plan worked out for the client. Bonus payments could be paid for exceptional productivity. While all these practices could be adopted by NPOs, they have weaker incentives to do so.

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<sup>13</sup> See the essays in Morales-Gomez (1999) on Africa and East Asia for example. Also see Davis (1998) and Dees (1998) for a more general discussion of non profits expanding their activities and sponsors beyond those traditional to them.

Compared with traditional local government agencies providing social services in transition and developing countries, it is quite possible that NPOs will be better organized and exercise greater control, especially when operating under contracts (versus receiving grants). NPOs are unlikely to have much advantage in staff costs, given the nugatory wages paid by many local governments. An exception could be those NPOs whose staff includes a significant volunteer component.

### **Context**

The three cities where pilot competitions were implemented are participants in an USAID-supported project whose objective is to improve the design and administration of social assistance at the local level in Russia. They range in size from about 250,000 to 1 million in population.<sup>14</sup> Under the division of responsibilities among the national, state, and local governments in the Russian Federation, local governments have nearly exclusive responsibility for the administration of social assistance and social service programs. For some social assistance programs, procedures are tightly defined at the national federation level. On the other hand, federal law states certain social services that must be provided to different populations, e.g., homeless people, victims of domestic violence; but the law allows local governments very substantial leeway in administering them. This freedom extends to choosing whether municipal agencies or other entities should deliver the services. Nevertheless, municipal agencies maintain monopolies nearly everywhere. Federal funding accounts for most of the resources for social assistance. But local governments are more important for the kinds of social services contracted out under the pilot programs described below. Federal funding has been unreliable during the transition, leading to denial of entitlement benefits with some frequency.<sup>15</sup>

There is no national or state level legislation prohibiting contracting out of social services. So in a narrow legal sense, cities do not need to pass additional legislation. Still, these local governments believed they needed to

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<sup>14</sup> For a comprehensive description of the cities and the social assistance programs in them, see Gallagher et al. (2000).

enact a law to permit this. Implementing regulations are also necessary. All of our three cities had the necessary legal basis in place when the project began in late 1999. All three also issued an Order of the Mayor to authorize the pilot program.

Another important contextual point is that only Perm had previously provided grants to NPOs to provide social services to certain population groups before the project proposed the idea of contracting out with NPOs for social service delivery (Gallagher et al., 2001, Table 16). So the idea that NPOs could play a constructive role in delivering services of this type was novel in Novgorod Velikii and Tomsk. But even in Perm where grant funds had been awarded to NPOs to provide services in the past, there was virtually no monitoring of service delivery; and the NPOs were certainly not held to any quality standards. Hence, the shift to a contract that contains a clear specification of the number of clients to be assisted and the type of services to be provided represented a major change.

In all cities the NPO-support center lobbied the administration actively for the pilot. Finally, in all of the cities, the contracts were to provide services to additional beneficiaries, i.e., the NPOs were not substituting for municipal agency in providing services.<sup>16</sup>

### **Objective of the Pilots**

The objective of the pilots for both the municipalities and the project was to determine if the local social assistance agencies could hire private entities to be service providers following a rigorous competitive process and whether the selected NPOs would do an adequate job in delivering services.

The three cities held competitions for three types of services: at-home assistance to elderly cancer patients in Novgorod, various services to physically handicapped children in Perm, and various services to physically handicapped teenagers in Tomsk (Table 1, rows 6, 7).

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<sup>15</sup> Gallagher et al. (2000).

## **Assessment Procedure**

Information about the experience with contracting out was obtained in two ways. First, members of the project team were frequently in each city and in close contact with city officials. So there was a good deal of on-site observation during the implementation process. The team reviewed drafts of many of the tender documents and contracts and all of the final versions. They also reviewed progress reports prepared by the contractors (NPOs) and monitoring reports prepared by city officials.

Second, once the contractors began delivering services team members interviewed all of the key participants in each city—those responsible in the social services agency, staff from the municipal agency delivering similar services, managers at the contractors, the representative of a firm that lost the competition, and a few clients (or their parents). Topics covered for all respondents except clients included all aspects of the contracting process, beginning with the tender itself, and the actual delivery of services. In Novgorod and Perm all contractors were interviewed and in Tomsk three of nine. Clients were asked about their knowledge of the services to which they were entitled, the services actually received, and their satisfaction with the services received. The interviews followed guides prepared for each type of interviewee.

These interviews were conducted two to five months after the initiation of services—two months in Novgorod and five months in Perm and Tomsk. The early assessment was designed to provide timely feedback to the city agencies so that improvements could be made where necessary. A limitation of the early date of the assessments, however, is that some delivery problems identified may have been corrected by the contractors or the city agencies on their own over the next few months. On the other hand, it is also possible that the NGOs may perform particularly well at the start of the contract period and fall down thereafter.

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<sup>16</sup> Initially the design in Novgorod Velikii called for the selected contractor to service part of the municipal agency's case load. But in the end this provision was changed.

## **The Competitions**

Some agencies in each of the participating cities had experience with contracting out. Contracting on a competitive basis for the maintenance and rehabilitation of municipal housing is fairly common throughout Russia, for example (Sivaev, 2001). But this was the first experience in the social services sphere for all three cities. Because there is little sharing of experience across municipal departments, the social service agencies essentially “invented” procedures for the competitions with the help of the project team.<sup>17</sup>

Each city prepared an announcement of the competition and publicized it in the local press. Administrations also posted notices in the NPO support centers and in some cases NPOs thought to be good candidates for the competition were contacted directly. The announcement included a specification of the services being acquired, the requirements for an entity to compete, the deadline, and other information. “Bidders conferences” were held where potential bidders could receive additional information. In all cities consultations with individual NPOs were available on completing the application.

To be eligible to compete a firm had to be licensed to provide the kind of services being acquired. In Perm and Tomsk only NPOs were permitted to compete—a questionable practice but one in line with the announced goal to involve NPOs in the delivery of social services (see Table 1, row 1) . A selection panel was appointed to judge the proposals received and rules for judging the proposals were contained in the Mayor’s Order. In two cases the Order indicated the rules governing the competitions.

In each city there was a real competition, in the sense that more entities submitted proposals than were awarded contracts. The ratio of competitors to awards was 4:3 in Perm, 3:1 in Novgorod and 15:9 in Tomsk.

The actual performance of the selection panels presents a mixed picture. The worse situation was in Novgorod, where the panel arbitrarily limited the

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<sup>17</sup> In Perm and Velikii Novgorod, the social service agency conducted the competition; in Tomsk it was the Subcommittee on NGOs of the External Affairs Committee; the selection panel was co-chaired by the chairman of that Committee and the Social Protection Committee.

competition to the two NGOs who submitted applications, thereby disqualifying a municipal agency that had submitted an application. Additionally, the panel set aside the formal scoring process. Disqualification of the municipal agency was to cause severe damage in the relations between the agency and the winning NPO. The selection panel's experience is noteworthy for another problem: a change in the definition of the services being acquired during the competition. The competitions in Perm and Tomsk in contrast were conducted much more in the spirit of the applicable rules. One limitation, however, was that the factors used in scoring the proposals were not the same as the criteria for selection stated in the competition documents. The panels used a longer and broader set of criteria than that indicated in official documents to the competitors.

### **Contracts<sup>18</sup>**

Each city prepared a contract to govern its relations with the NPO as a service provider. The draft contracts were reviewed and approved by the legal, finance and economic departments of the municipal government.

These are clearly "first generation" contracts, and they can be strengthened in a number of areas in the future. Common problems with the contracts identified include the following.

1. Poor specification of the services to be provided. In some cases the list of services is long and broad, constituting in total more services than the contractor could reasonably be expected to provide. Typically no mechanism is specified for how priorities are to be assigned among the services. In other cases the services are only vaguely specified, leaving wide latitude to the contractor in actual service delivery. Similarly, no mechanism for changing the treatment program of a client is indicated.
2. Absent in all contracts except Novgorod is a statement specifying whether the customer or the contractor has the responsibility to assign clients to the contractor and to inform the clients that the contractor will be responsible for providing services.
3. In monitoring contractor performance, there is an overemphasis on tracking expenditures. Moreover, the contracts do not grant any latitude

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<sup>18</sup> For detailed information on the contracts, see Chagin (2001).

to the contractor to shift resources among budget lines. One contract actually specifies the maximum wage that the contractor can pay staff. Some procedures are required under the federal budget code for a “goal-targeted finance contract.” But this detailed attention to expenditures should not come at the expense of monitoring outputs.

4. Also with respect to monitoring contractor performance, most contracts are silent on what monitoring the customer may do besides reading the required progress reports. Only general formats are specified for progress reports. Progress reports are required quarterly, when a monthly period is more appropriate.
5. The provisions on customer sanctions to the contractor are very underdeveloped. Standards for performance are not specified and there is no process indicated for the contractor to contest a sanction.
6. While sanctions for poor contractor performance are stated, parallel sanctions for late payment by the customer are missing.

### **Service Delivery and Client Satisfaction**

The assessment examined four aspects of service delivery:

1. Did the contractors serve the number of clients specified in the contract?
2. Were the services contracted for provided or were some omitted or substituted without the knowledge or consent of the customer?
3. Did clients (or their guardians) know the services that they were to be provided?
4. Were clients satisfied with the services provided by the contractor?

This section addresses these questions in turn.

**Clients served.** In all three cities the contractors selected the clients to be served, even when the competition had stated that they would be identified by the municipal agency (Table 1, row 10). For all three programs, those served were new service populations in terms of the municipality’s case load. In some instances an NPO had served the same clients previously. One of the three NPOs studied in Tomsk and one in Perm were identified as serving clients with the same services they had provided before winning the contract.

In the case of Novgorod, the lack of referrals by the agency led to a marked delay in participants being recruited and provided services: a month after services were initiated only five elderly were receiving assistance out of a targeted number of 25 (Table 1, rows 8 and 9). In Perm the contractors succeeded in serving the number of disabled children stated in their contracts. In Tomsk, the competition did not specify the number of teenagers to be assisted and the number proposed to be served varied widely among the nine contractors. The appropriateness of the beneficiaries selected was not checked by the cognizant municipal agency.

**Services delivered.** As noted, elderly cancer patients were targeted in Novgorod and in Perm and Tomsk physically disabled children (Perm) and teenagers (Tomsk) were targeted for assistance. In all three cities, the contractor negotiated the set of services to be provided with the clients (or their parents). The contract provisions governing the services to be provided in Perm and Tomsk were quite vague and so there is no standard against which to judge performance. On the other hand, the contract in Novgorod was comparatively strict in defining the services to be provided. But in this case, the contractor simply offered a much smaller set of services.

**Client knowledge of services to be provided.** According to the contractors and the small number of clients interviewed, almost uniformly the contractors did a poor job in informing clients of the range of services that the contractor was to provide. Only one contractor out of the seven studied provided clients with a complete list of services (Table 1, row 15). The contractor in Novgorod might be viewed as acting deceptively as it gave clients a list omitting most services that it was obligated to provide according to the contract it had signed.

**Client satisfaction.** Recall that the recipients were in all cases persons who had not received such services in the past. Thus, it is perhaps unsurprising that the clients were nearly uniformly positive in rating the services actually received, despite the problems just noted. They rated both the services themselves and the attitude of the social workers and teachers positively. The number of clients interviewed was modest and therefore those

findings can only be taken as indicative. Nevertheless, their consistency suggests that the pattern may be valid.

### **Monitoring Service Delivery**

Agency theory and experience tell us that unless contractor (in this case, NGO) performance is monitored by the customer (in this case, the social service agency purchasing the services) there will be a tendency for service levels to fall below the required standards. As noted above, the contracts signed between each city agency (customer) and a NHO gave substantial attention to monitoring expenditures but much less to monitoring service delivery. New federal-legislation, passed as part of the year 2001 budget law in an effort to reduce corruption, requires the close monitoring of expenditures under all government contracts. (The federal legislation in effect introduces a multiple principals problem, with local government as the agent of the national government and the NGOs as the agent of the local social service agency.)

Where contracting out is common, both the contractor and the customer can be expected to monitor the services actually being provided. With respect to monitoring by the contractor of the performance of its staff, the likelihood of the proper services being delivered will be greater if there is a clear plan specifying the services to be delivered to each client and if the client reports on the services received by signing a receipt after services are provided. Case management was rare among the seven contractors studied: only two of the contractors in Perm had such plans (Table 1, row 12). Moreover, only one of the seven—actually one of the two in Perm with case management—had the client sign a receipt acknowledging the services received.

Contractors also often monitor service delivery by having supervisors attend group activities organized by the contractor and by checking with clients. Again, actual performance was disappointing but better than the experience with case management. All three contractors in Perm were active in monitoring performance, even including holding focus groups with the parents of the disabled children. Occasional monitoring was conducted in Novgorod. But none was evident for the three contractors studied in Tomsk.

Monitoring by the customer takes two forms: the review of reports on services delivered submitted by the contractor to the customer on a regular schedule and spot checks by the customer with clients on the services they have received. With respect to reports provided by contractors to the customers, it is only in Perm that reports provide even counts of types and quantities of services delivered. The reports in Tomsk are more limited, focusing on events produced and materials produced, e.g., audio and video cassettes produced. At the time of the assessment, the cognizant agency in Novgorod had not approved the reporting format. Active monitoring by the customer offers a mixed picture. In Perm, monitoring was very active in the first four months but then the responsible official left the agency and these activities ceased. In Tomsk, on the other hand, monitoring only got underway in the last two months of the six-month contract period. The customer in Novgorod had not begun monitoring activities at the time of the assessment.

### **Cooperation Between the NPOs and City Agencies**

Contact between the NPOs and the municipal center for social services was very limited in all three cities. As noted, the contractors selected their clients independently of the city agencies. In other areas as well a very low level of cooperation seems present. Indeed in Novgorod, because of the problems with the competition, relations are especially strained between the municipal agency and contractor.

### **Conclusions**

From the above it seems fair to say that the competitions in Perm and Tomsk were essentially a competitive grant process whose winners were more or less free to determine the services actually delivered. On the other hand, the Novgorod competition had much more in common with a contractual procurement of social services—the competition was nominally open to firms of all legal forms and the services were well-defined. In execution the reality in Novgorod fell far short of this model.

In general the results of these competitions indicate the extent of the challenge to improving service delivery in Russia. The tradition of monitoring service provision—regardless of the nature of the provider—is very weak. Municipalities clearly are not thinking that NPOs can be held to strict accountability for delivering a specified set of services to a particular population. So the contracts are vague and monitoring lax, and NPOs are being assigned new groups of clients rather than existing recipient populations.

Clearly much remains to be done in terms of preparing and executing the competitions and improving contracts--and enforcing them. These include greatly tightening the definition of the services to be provided (including possible explicit case management for some types of clients), the information to be given clients on these services that are included in their package; clarifying the allocation of responsibility for client identification between the NGO and the social services agency; obtaining client receipts for services delivered in certain cases; and, defining records to be kept by contractors and formats for reporting on service delivery to the customer (Chagin, 2001). Nevertheless, this initial experience of contracting with NPOs gives Russian municipalities a base on which to build. If the lessons learned from the competitive procurements in Velikii Novgorod, Perm, and Tomsk are incorporated into the next round of procurements, Russia may be on the road to realizing the potential of NPOs for improving social service delivery.

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**Table 1**  
**Summary of Contracting and Service Delivery Experience**

	<b>Novgorod</b>	<b>Perm</b>	<b>Tomsk</b>
<i>The Competition</i>			
1. No. of competitors	2 NPOs 1 municipal agency	4 NPOs	15 NPOs
2. No. winners	1 NPO	3 NPOs	9 NPOs
3. Selection panel used scoring sheets	No	Yes	Yes
4. Selection panel followed competition guidelines	No	Substantially	Substantially
<i>Services<sup>19</sup></i>			
5. Dates services provided	From 3/2001 to 12/2001	One year from 12/2000	6 months from 1/2001
6. Target population	Noninstitutionalized elderly cancer patients unable to take care of themselves	Physically disabled children	Physically disabled young people (ages 10-18)
7. Type of services	21 types of support services stated in Federal regulations plus 19 paid services	Social rehabilitation services and life skills training	Social rehabilitation services and life skills training
8. Targeted no. of beneficiaries	25	Not less than 20 per NPO	Not defined
9. Actual no. of beneficiaries	5 <sup>20</sup>	At least 20 per NPO	Not known
10. Who selects beneficiaries?	Contractor	Contractor	Contractor
11. Beneficiaries receive services specified in contract?	Few	Yes, but contact permits significant variation	Yes, but contact permits significant variation
<i>Monitoring</i>			
12. Individual case records maintained by the	No	2 of 3	No

<sup>19</sup> In Tomsk information on service provision and monitoring is based on interviews with three of the nine contractors. In the other cities, all contractors were interviewed.

<sup>20</sup> The assessment was after only one month of service delivery; more clients are likely to be added.

contractors?			
13. Active monitoring by the contractor?	Occasionally	Active monitoring	None
14. Active monitoring by city agency of services delivered?	Not started	Yes	Yes <sup>21</sup>
<i>Client Satisfaction</i>			
15. No. of clients interviewed	3	7	5
16. Clients informed of services to be provided?	Poorly	Limited	Limited <sup>22</sup>
17. Clients satisfied with services actually provided?	Yes	Yes; services received defined by the family in accordance with medical advice	Yes
<i>Coordination with municipal agency</i>			
18. Quality of working relation with the municipal agency	Very poor	Very poor	Good for 1 of 3 contractors studied

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<sup>21</sup> Monitoring only began in the fifth month of service delivery.

<sup>22</sup> One contractor in three provided a full list of services to be provided to the clients.