The competitive basis for delivering social services is considered one of the principal ways of improving the quality of services and optimizing their cost. The implementation of this basis is a challenge for Russia where the non-competitive procurement of social services just by monopolistic state and municipal agencies is deeply rooted.

The delivery of social services developed in Russia since the beginning of the social and economical crisis in the early 1990s. The state and local governments had to respond to the increasing need for social services among various disadvantaged groups – disabled, old and poor people who suffered most of all from the crisis. The response to that was the creation of special state and municipal agencies for social service delivery. However, these agencies are not able to fully meet the requirements of their clients as well as to provide services to all the people who really need them. The reason for that is not just the constant lack of state or municipal funding but also the lack of competition and effective management in the social service delivery.

This monopolism has its obvious causes and is not just due to some defect of the state management. In the early 1990s the non-state and non-municipal providers of social services did not exist. During the extremely unstable economical and social situation the young NGO sector was just beginning to develop and the young private sector was more interested in quick commercial tricks with consumer goods and the privatization of former state property that could provide them with much more profit than municipal or governmental contracts for social service delivery. Therefore, the social service delivery carried out by governmental and municipal authorities through their special agencies was then the only visible solution.

However, nowadays there are serious grounds to review the current situation and see how the market of social services can beemonopolized and hence the quality of services and the management of service delivery can be improved. Despite the private sector is still not involved anyhow in the social service delivery due to the absence of sufficient funds that could awake its interest in making profit from it, the authorities got a new potential social service provider at the market – the NGO sector.

By the late 1990s the social and economical development of the country as well as the aid of the Western donors led to the situation when the NGO sector became fairly strong and numerous so as it could be considered a potential and often an actual provider of social services. According to the research that the Institute for Urban Economics (Russia) and the Urban Institute (the USA) did in 2000 in four Russian municipalities (Arzamas, Velikiy Novgorod, Perm and Tomsk) not less than 40% of Russian NGOs provide social services. They use various resources that include grants from Western donors or local authorities, private donations, donations from businesses and volunteer work.

Now the Russian authorities feel the need and the opportunity to involve NGOs into the social service delivery. This is proved by the practice of some local and regional authorities as well as the intentions of the federal government. The Program of Social and Economical Development of the Russian Federation for 2002-2004 adopted by the Russian Government in July 2001 clearly stipulates the enlargement of the social service market including the involvement of NGOs into that. The particular form of this enlargement and NGO involvement is competitions for social service delivery where the best service providers can be selected.

In 1999-2001 the Institute for Urban Economics (Russia) and the Urban Institute (the US) implemented the project “Improvement of Social Service Delivery System in Russian Federation” in four Russian cities – Arzamas (Central Russia), Velikiy Novgorod (the North-West of Russia), Perm (the Urals) and Tomsk (Siberia). The project was funded by the US Agency for International Development. One of the main project components was holding pilot competitions for delivering social services in the project cities. This component was aimed at the introduction of the competitive procurement of social services into the practice of local administrations, the increase of service providers’ accountability to customers (local administrations) and the improvement of the quality of social services. The component also included the evaluation of how the competitions were implemented and how the services were delivered.

In 2000-2001 the administrations of the project cities held competitions funded by the municipal budgets among existing providers of social services. The competitions had the following characteristics and outputs:
**Arzamas**

Service recipients and their number: Veterans of local wars and their families – 160 people
Social services: Economical, psychological, medical, pedagogical, legal and in-home types of services
Number and category of applicants: 7 (5 NGOs, 1 municipal health agency, 1 business)
Number and category of competition winners: 3 (2 NGOs, 1 municipal health agency)
Length of service delivery: 3 months
Funds from municipal budgets: 150 000 rubles (roughly 5 000 $)

**Velikiy Novgorod**

Service recipients and their number: Terminally ill people who cannot take care of themselves – 25 people
Social services: In-home social services according to the Federal List of State-Guaranteed Services provided for old and disabled people by state and municipal social service agencies.
Number and category of applicants: 3 (2 NGOs, 1 municipal social service agency)
Number and category of competition winners: 1 (NGO)
Length of service delivery: 9 months
Funds from municipal budgets: 50 000 rubles (roughly 1 600 $)

**Perm**

Service recipients and their number: Disabled children – 80 people
Social services: Making plans of social rehabilitation, social adaptation including training on taking care of oneself, psychological consulting, professional education.
Number and category of applicants*: 4 NGOs
Number and category of competition winners: 3 NGOs
Length of service delivery: 12 months
Funds from municipal budgets: 200 000 rubles (roughly 6 600 $)

**Tomsk**

Service recipients and their number: Disabled teenagers – 270 people
Social services taken to competition: Social adaptation including training on taking care of oneself, psychological consulting, professional education.
Number and category of applicants*: 15 NGOs
Number and category of competition winners: 9 NGOs
Length of service delivery: 6 months
Funds from municipal budgets: 350 000 rubles (roughly 11 600 $)

* The competitions in Perm and Tomsk were open just for NGOs.

The project team of the Institute for Urban Economics and the Urban Institute carried out the implementation evaluation of each competition. The tasks of the evaluation were the analysis of the process of holding the competition and the further service delivery, revealing the problems in this process and making recommendations for solving those problems. The evaluation methods were the analysis of the normative and working documents of the competition and the service delivery (competition terms and announcement, applications, contracts, contractors’ reports etc.), interviews with customers (city administrations), contractors, service recipients and other local providers of such services (eg. municipal social service agencies).

On the whole, the pilot competitions were the first experience of the use of competitive mechanisms in social service delivery and provided a lot of necessary services to people who needed them. Their major success was making an important institutional change in the local public administration in the project cities. The idea of giving public money to external providers on the competitive basis was welcomed and implemented by local administrations. At the same time the evaluation highlighted some significant problems that need a special attention and resolution.

**Considering competitions for service delivery mostly as the way of supporting NGOs who deliver social services**

5 years ago the idea of giving public money for a NGO’s activity on the competitive basis or at least the idea of a public body paying serious attention at what NGOs did were very new and unaccustomed. 3 years ago competitions of NGOs’
social projects took place rather rarely in some municipalities or regions (eg. the Competition of NGOs’ social projects in Perm, 1999) and were observed by other municipalities and regions with a certain lack of confidence. Now this idea became quite popular and even fashionable. The important role in the promotion of this idea was played by Competitions of Social Projects in the Volga Federal District in 2000-2001 (“Perm-2000” and “Saratov-2001”) supported and funded by the administration of the Russian President’s Representative Mr. Sergey Kirienko. Then the idea was followed up with great enthusiasm and now when you read Russian news on social issues (eg. from the Agency of Social Information) you can almost always see something about a new competition for NGOs in some area or at least some efforts to think it over.

When regional or local administrations hold competitions for social service provision they can hardly ignore this fashion of supporting the NGO sector. Two competitions out of four in the project cities were open just to NGOs. In one of the cities where the competition was open to any potential service provider the competition organizer (the city administration) got three applications from a municipal social service center and two NGOs. The selecting panel clearly realized that the municipal center’s application was much better than the NGO’s one however the NGO was selected to provide services as the panel members felt they needed to support a NGO as this decision would look more politically attractive. Later, during the delivery of services this NGO experienced significant problems concerning client recruitment – the problem the municipal center should have not get in that particular case.

The other feature who is typical for competitions of social programs in Russia and had been used in two project cities was the requirement from customers to competition participants to involve their own recourses into the delivery of services (financial funds, volunteer work etc.). Its use is explained by the will of administrations to involve “out-of-budget” resources into the social policy where there is a constant lack of public funds. The drawback of this feature in the competitive procurement of social services is the absence of effective methods of checking the reality and availability of the “existing” resources the participants put in their applications. So this is a serious threat to the required volume and the quality of services when it is planned to partly fund them by the resources whose reality and availability remain vague for a customer.

Therefore, all the competitions in the project cities were actually grant competitions than true competitive procurement of social services. Certainly, this approach cannot really improve the quality of services and increase their cost-effectiveness as the selecting process largely depends on just a legal status of potential service providers. This does not provide the true competitive atmosphere for various types of social service providers who are available at the moment for customers (administrations) – NGOs, municipal social institutions and, potentially, businesses. We consider this problem as the major policy and management problem in the existing competitive procurement of social services while the problems described below are mostly technological problems.

**Incomplete, vague or contradictory parameters of service delivery in the technical assignment**

When organizing competitions for social service delivery the city administrations find it rather difficult to determine what exactly they want to buy from service providers. The grant approach is strong here too. In the competition announcement the customers usually indicate some direction which service providers should follow (eg. provide social rehabilitation services for disabled children) leaving all the other details (volume of services, exact characteristics of clients etc.) to a provider’s mind. This incompleteness and vagueness are sometimes explained by the will to entitle NGOs to find the best particular way to provide services. The other cause is that the traditional social service providers - municipal and state social institutions - never provided services on a contract. They are given public money to implement a certain activity (eg. provide in-home services for elderly people in an area of their responsibility) according to certain budget limits and rates which looks like a regular and non-competitive grant. So the public officers are just not accustomed to design clear and detailed technical assignments for social service provision and need training in it.

Due to the vagueness of the technical assignments they also lacked a clear and valid calculation of a maximum cost of services a city can afford to pay to a contractor. This is a serious drawback for the development of the competitive service procurement as it embarrasses the analysis of its cost-effectiveness.

**Lack of consistency of competition procedures (announcement of competition, selecting winners, making contracts etc.)**

When the competition procedures are inconsistent it seriously damages the actual process of social service delivery. For example, in all the project cities the criteria in the scoring tables the selecting panel used for assessing applications did not correspond to the criteria that were stipulated in the competition announcements. This certainly decreases the opportunity to use the competition as an instrument to choose right providers of particular services as the selection criteria that competition participants aim at are not the same ones which are used for the real assessment of their applications.
The other important inconsistency is that the content of contracts with competition winners did not always correspond to the content of their applications. In other words, the service providers were contracted out to do the work they did not apply and, therefore, could not be ready to do that.

It is worth mentioning that these inconsistencies did not present any intention for corruption but just an inability to fully understand the management issues of the competitive procurement of social services.

**Imperfection of administrative procedures for financing and reporting**

The administrative procedures for financing and reporting are extremely important for ensuring good work of service providers. The actual financing procedures in the project cities were imperfect. In two of four cities the service providers received the required funds from the customers with a long delay. In the other cities the financing schemes could not provide customers with financial tools for effective control over the service provision. They stipulated either a full advance payment or two large payments (half of a contract’s cost just after making a contract and the other half in the middle of the service provision’s period).

The rules for reporting were vague. Though the requirement for intermediate and final reports was clearly given in contracts the service providers either were not given the exact report formats or did not follow them. As a result, the information submitted in the reports did not tell enough about how the service delivery was carried out (number of clients served, services received by a particular client etc.).

**Lack of regular monitoring of service delivery**

The attempts to monitor the service delivery were made in two project cities. However the monitoring procedures were not made a strict duty of customer’s specialists and did not have clear and detailed format. The monitoring in one city ceased after three months of service delivery (the whole service delivery period was 12 months) and in the other city it began on the last month of the service delivery (it revealed some problems with the service delivery however there was already no time to solve them).

**Insufficient professional level of NGOs who were service providers under contracts in administering service delivery**

The above mentioned problems concern the work of customers who organize competitions. At the same time, a special attention should be given to the problems that are experienced by service providers themselves - here these are NGOs. Many NGOs do not accept the idea of being really contracted out to implement a particular technical assignment. They welcome more the idea of getting some funds to do “good things” which is the grant approach. Sometimes it disturbs them when a customer defines exact parameters of these “good things” as they believe they know better the needs of service recipients and how to meet these needs.

The administrative procedures for service delivery of most NGOs lack professionalism. Rare NGOs used the case management or even registered the delivered services in a proper way. The problem that NGO’s clients did not know the whole service menu they were eligible to was rather common.

However, it is important to note that these NGOs’ problems may be fixed by customers’ influence. For that, a customer needs to be clear and consistent in its requirements for the technical assignment and the administrative terms of the its implementation. These requirements can be also stipulated in a contract on service provision. Besides, NGOs certainly need a special training on how to administer social service delivery to ensure their quality and effectiveness.

**Conclusion**

The above mentioned problems certainly concern the quality of social services as they influence choice of what service delivery is bought by a customer, selection of service providers as well as system of service providers’ responsibilities for service provision and administration of service delivery. The evaluation of the competitive procurement in the project cities revealed that the service recipients are satisfied with the quality of the received services. At the same time, the service recipients could not compare the quality of these services with some other pattern as the competitions were held for the delivery of services that were new for the client population.

However, the major issue influencing the quality of social services in the implementation of their competitive procurement is making a right technical assignment for a competition. This implies that a customer (eg. a local administration) would clearly see what client population is to be served, what particular services are to be delivered and what required outcomes the service delivery would reach. This is the earliest important factor providing the quality of
social services in their competitive procurement that is doing right things for right people. Also, this issue should be the
earliest priority when training other administrative bodies in Russia to use the competitive procurement of social
services. A right technical assignment should be a strong base where all the other “technological” issues (selecting
competition winners, contracting etc.) can be further placed.

The acquired experience is very valuable for the further development of the competitive procurement of social service
that the Institute for Urban Economics and the Urban Institute deal with in the framework of the new project “Improved
Local Governance and Economic Development: Transition to Smart Growth” (2001-2004) which is also funded by the
US Agency for International Development. Apart from holding new competitions for social service delivery where this
experience is used the project’s implementers design a training program and guidelines for local administrations how to
run the competitive procurement of social services as well as for NGOs on how to administer service delivery.