CONTRACTING WITH NGOS FOR SOCIAL SERVICES

Building Civil Society and Efficient Local Government in Russia

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The Urban Institute

Contents

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Shifting Responsibilities and the Need for Efficiency

A decade after the beginning of the transition to democracy in Eastern Europe and the Soviet Union it is clear that the nonprofit sector has developed remarkably in many countries in the region. Progress is especially striking in Eastern Europe (EE); 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 (Anheier and Seibel 1998; Hyatt, Cooper, and Knight 1998; Kuti 1999; Nowicki 2000; Quigley 2000). 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 nonprofit 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 (Bird, Ebel, and Wallich 1995; Freinkman, Treisman, and Titov 1999; Horvath 2000; Kirchner 1999; Wallich 1994). This devolution 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 (Freinkman et al. 1999; Wallich 1994).[1] Examples of 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 for many services was transferred to local governments. Then in 1999 additional services were transferred, requiring the creation of new Family Assistance Centers in each of the country's over 350 districts (*Powiats*) (Regulski 1999, 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 the care of noninstitutionalized disabled children, victims of domestic violence, and the drug business. These programs are the 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, or NGOs. (In this report we use the term "nonprofit organization" to refer to nongovernmental and

nonprofit organizations.) While NGOs pioneered many of these services, local governments often created agencies to expand the scale of delivery.

For social services, local governments throughout the region often have the authority to determine how services will be delivered: through municipal agencies, contracting out to for-profit or nonprofit entities, or possibly grants to NGOs.

NGOs have great potential as contractors to local governments for these services. Many NGOs 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 NGOs already receive grants from local governments to provide social services. But grants are more susceptible to budget cuts than the delivery of core services under contracts: In some cases the services provided through grants are viewed as supplemental and nonessential. By delivering municipal social services, NGOs could stabilize their financial base and still serve their communities.[2] From the municipality's perspective, compared with 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.[3]

This monograph describes the rationale for involving NGOs as contractors in the delivery of social services, in addition to the charitable assistance they provide. Importantly, it also assesses Russian NGOs' performance to date as contracted providers in pilot programs in several cities. The description begins, in this chapter, with a brief review of the experience of governments contracting out for services and the arguments for why NGOs are well-suited as potential contractors. The second chapter compares the situation in Russia with other countries in the region along two dimensions: the broad development of the NGO sector and the extent to which NGOs providing social services have been supported by different levels of government, with both legislation and funding.

The third chapter looks critically at whether Russian NGOs are ready to take on the responsibilities of social services contracts based on site visits to 13 NGOs in four cities. The fourth and fifth chapters report the evaluation results for several pilot programs where local governments have contracted with NGOs that won competitions to provide certain services. There have been two waves of pilot programs, the second build-

ing on the experience of the first. The evaluation findings afford a basis for judging if the time is right for NGOs to press to be contractors. The final chapter offers conclusions and ideas about the type of assistance that is likely needed to foster effective contracting of this sort.

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.[4] Indeed, the anglophone nations embracing the "new public management" paradigm are pushing hard to contract out many national-level administrative tasks (Ferlie et al. 1996; Ingraham 1997). Some aid agencies are promoting the same principles.[5] 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.[6]

Local governments contracting out by to NGOs and for-profit firms for the delivery of certain services is in many cases an efficient alternative (i.e., better quality services at lower costs) to providing the same services with government workers.[7] 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.[8] Morales-Gomez and Torres (1999) report mixed findings in developing countries for contracting out education and health services. Similarly, Bately's (2000) summary report on the experience of several developing countries in the "Role of Government 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.[9] 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, 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 fair and open competitive process 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 an established monitoring system so 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.[10] Consequently, the overall record is mixed. But the results appear generally positive when local governments have had the capacity to implement contracting out.

WHY NONPROFITS?

Can NGOs operate successfully in delivering social services for local governments? NGOs are active in the social services area in both developing and transition countries.[11] So the evidence would seem supportive. Based on its experience, the World Bank supports the use of NGOs 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, 309)

But what is special about NGOs? Some NGOs 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 from 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 NGOs 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 may organize the delivery of services more efficiently. In the interest of efficiency, the for-profit firms could, for example, better schedule the visits of their staff to the homes of clients by grouping visits geographically and minimizing the downtime 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 NGOs, they have weaker incentives to do so. Indeed, the possibility that for-profit firms may go too far in pursuing efficiency, at the expense of service quality, is one of the strongest arguments for contracting with nonprofits (Young 2000, 154).

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

NGO INVOLVEMENT IN SOCIAL SERVICES

There is no question that NGOs are a major factor in providing social services in Western Europe and, to a lesser extent, Eastern Europe. To give an idea of the extent of this involvement, we exploit data for these regions from a recent major comparative study of the nonprofit sectors in several regions of the world (Salamon et al. 1999). Table 1.1 shows the percent of total paid employment in selected Western and Eastern European countries accounted for by the nonprofit sector and the percent of nonprofit sector workers providing social services. The figures for nonprofits include volunteers. In the Western European countries shown in the table, workers at nonprofits make up 3 to 10 percent of all paid workers. But the parallel figures for the four Eastern European countries are 0.6 to 1.7 percent. On the other hand, the share of nonprofit sector workers engaged in providing social services is much closer for the two sets of countries.

Table 1.1 Employment in the Nonprofit Sector in Selected Countries

Region/Country	*NGOs as percent of total paid employment*	*Social service jobs as percent of total NGO employment*
Western Europe		
Austria	4.5	49.9
Belgium	10.5	22.9
Finland	3.0	15.5
France	4.9	27.4
Germany	4.9	27.2
Netherlands	12.6	20.5
United Kingdom	6.2	16.0
Eastern Europe		
Czech Republic	1.7	13.1
Hungary	1.3	15.1
Romania	0.6	32.2
Slovakia	0.9	10.1

Source: Salamon et al. (1999), figure 1.5, table B.2.

Unfortunately, no data are available for the funding sources supporting NGOs' work in social services. It is worth noting, however, the comparative importance of three sources of income for NGOs engaged in *all* types of activities:[12] public sector, private giving, and fees and charges. As shown in table 1.2, private giving is the smallest source of support in both Western and Eastern European countries, although at 21 percent it is almost three times more important among Eastern countries. Interestingly, government support accounts for an important share of total revenues among the Eastern countries—33 percent. Among Western European countries it is the largest source, at 56 percent of all revenues. The available data do not distinguish among levels of government providing the funds nor do they indicate the distribution between grants and contracts. Fees and charges are important for both groups of countries, accounting for 37 and 46 percent of all income among Western and Eastern European countries.

So, these are the general arguments and a broad picture of the activity level and funding. But what is the situation in the Eastern Europe–Commonwealth of Independent States region regarding the

Table 1.2 Revenue Sources of NGOs (percent distribution)

	Revenue source		
Region	*Public sector*	*Private giving*	*Fees, charges*
Western Europe	55.6	7.2	37.2
Eastern Europe	33.3	20.5	46.1

Source: Salamon et al. (1999), table B.3.

Note: Income excludes the value of volunteer labor. Western European countries are those listed in table 1.1 plus Spain. Eastern European countries are those listed in table 1.1.

development of the nonprofit sector in general and the role of nonprofits in delivering social assistance in particular? We now turn to these topics.

NOTES

1. 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. 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 national programs that have to be filled from local resources.

2. One must note, however, that some nonprofits have had problems remaining true to their basic missions while acting as contractors. See, for example, the discussions in Smith and Lipsky (1993) and Boris and Steuerle (1999).

3. Young (2000) reviews the alternative economic arguments for governments to contract specifically with nonprofit organizations for service delivery.

4. See, for example, Walsh and Davis (1993); Alam and Pacher (2000), pp. 367–69; Liner et al. (2001), section 5; and Donahue (1989), chapter 4.

5. The British are leading reforms following this model in Tanzania, for example (Therkildsen 2000).

6. All 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 in, for example, Hilderbrand and Grindle (1997).

7. For successful examples, see OECD (1997).

8. 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.

9. Evidence is generally sparse on contracting out in the social safety net area, even in the United States (Nightingale and Pindus 1997).

10. For Hungary, for example, see Baar (1998).

11. 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 nonprofits expanding their activities and sponsors beyond those traditional to them.

12. Main activities, defined as accounting for at least 2 percent of employment including volunteers, include advocacy, culture, development, education, environment, health, professional, and social services.

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2 Russia in a Regional Context

Understanding Russian NGOs' degrees of success as service providers and interpreting how these findings might be applicable to other nations in the region requires knowledge in two areas: the broad development of the NGO sector in Russia and other countries and the extent to which local governments in the region are already contracting out for social services. The two parts of this chapter address these topics.

THE NGO SECTOR[1]

Russia's NGO sector has developed dramatically since 1987 when only about 30 civic NGOs were registered with the Ministry of Justice. By early 2001 about 270,000 civic NGOs were registered. Experts estimate that about 15 to 20 percent of these NGOs are active. While these numbers are impressive, there are sharp variations in sector development across Russia's 89 regions. Predictably, the more sophisticated and better organized NGOs are in the large cities, with less capable organizations located in smaller cities and more remote regions.

A general orientation on the NGO sector's state of development in Russia and the other countries in the EE-CIS region is available from the USAID publication, *The 2001 NGO Sustainability Index for Central and Eastern Europe and Eurasia*. The publication presents ratings of the

NGO sector in each of the 27 countries in the region based on assessments by a USAID-convened group of experts in each country. The experts rated seven dimensions of development following guidelines developed by USAID:

- Legal environment
- Organizational capacity
- Financial viability
- Advocacy
- Service provision
- Infrastructure
- Public image

Scores for each component range from 7 (erosion or no change since the Soviet era) to 1 (while needed reforms and/or the NGO sector's development are incomplete, the local NGO community recognizes which reforms or developments are still needed and has a plan and the ability to pursue them itself). A country's overall score is the unweighted average of the seven component scores.

Because a different expert group rated each country, it is possible that different standards were applied, despite the guidance provided to the groups. So the ratings are probably best interpreted as suggestive and minor differences in the scores among countries are likely not significant.

Table 2.1 shows the average scores for each of the 27 countries grouped into three regions—Eastern Europe, Northern Tier; Eastern Europe, Southern Tier; and Eurasia or CIS. (Box 2.1 provides additional information on the rating process and scores.) Several points stand out from the figures in the table.

- The Northern Tier countries have the most advanced NGO sectors. The worst score among the countries (2.9 for Latvia and Lithuania) is sharply higher than the best score for any country in the other regions (3.6 for Bulgaria).
- Development in the Southern Tier and Eurasia countries is broadly similar, with those in the Southern Tier modestly more advanced.
- Development in Russia scores well among the 21 countries in the Southern Tier and Eurasia—only seven countries have better or

Table 2.1 2000 Sustainability Index Scores for Countries in Eastern Europe–Commonwealth of Independent States

Country	*Score*	*Country*	*Score*
Northern Tier		**Eurasia**	
Czech Republic	2.3	Armenia	4.4
Estonia	2.1	Azerbaijan	5.0
Hungary	2.6	Belarus	5.5
Latvia	2.9	Georgia	4.0
Lithuania	2.9	Kazakhstan	4.3
Poland	2.1	Kyrgyz Republic	4.3
Slovakia	1.9	Moldova	4.2
		Russia	4.2
Southern Tier			
Albania	4.6	Tajikistan	5.1
Bosnia	4.5	Turkmenistan	5.8
Bulgaria	3.6	Ukraine	4.3
Croatia	3.8	Uzbekistan	4.6
Kosovo	4.6		
Macedonia	4.1		
Montenegro	4.7		
Romania	4.0		
Serbia	4.1		

Source: USAID (2002).
Note: Scores are defined in box 2.1.

equivalent scores (Bulgaria, Croatia, Georgia, Macedonia, Moldova, Romania, and Serbia).

On the basis of these figures, one could say that nonprofit sector in Russia has developed rather as expected—faster than many countries with more repressive governments but significantly slower than a number of Eastern European nations.

The scores for the seven individual components of Russia's overall score are of definite interest (table 2.2). Russia's NGO sector development is rated greatest in the infrastructure area. This rating can be substantially attributed to the presence of a network of NGO support centers across Russia that provide a variety of services including information services, technical support, and training in various areas of NGO development and management. These centers are largely donor-supported and their middle-term sustainability is questionable.

Box 2.1 Sustainability Index Scores

General: The sustainability index is the average of scores assigned to the seven NGO development attributes listed below. The scores can range from 7 (erosion or no change since the Soviet era) to 1 (while needed reforms and/or the NGO sector's development are incomplete, the local NGO community recognizes which reforms or developments are still needed and has a plan and the ability to pursue them itself). The ratings were made in each country by a group of 6–10 knowledgeable people in a meeting convened by USAID.

Seven attributes: the following provides a summary characterization for each attribute at the extremes, i.e., scores of 5–7 and 1–3.

(5–7) Early Transition	(1–3) Consolidation
Legal environment The absence of legal provisions and the confusing or restrictive nature of legal provisions (or their implementation) on NGOs make it difficult to register and/or operate.	The status of NGOs is firmly established in the law. The legislative and regulatory framework begins to make special provisions for the needs of NGOs or gives nonprofit NGOs special advantages, including exemption from certain taxes and the right to compete for government contracts.
Organizational capacity NGOs are "one-man shows," completely dependent on the personality of one or two major figures. They often split because of personality clashes. NGOs lack a clearly defined sense of mission and reflect little or no understanding of strategic planning or program formulation.	A few transparently governed and capably managed NGOs exist across a variety of sectors. Essential organizational skills are demonstrated, including how to recruit, train, and manage a volunteer network. A professional cadre of local experts, consultants, and trainers in nonprofit management exists.
Financial viability The new NGOs survive from grant to grant and/or depend on one (foreign) sponsor. NGOs lack basic fundraising skills.	A critical mass of NGOs adopts rules on conflict of interest, prohibitions on self-dealing and private procurement, appropriate distribution of assets upon dissolution, etc. In a conscious effort the NGO sector may lay the groundwork for financial viability by cultivating future sources of revenue for the sector.

(*continued*)

Box 2.1 Sustainability Index Scores (*Continued*)

Advocacy Broad umbrella movements, composed of activists concerned with a variety of sectors, and units in opposition to the old regime fall apart or disappear. Economic concerns become predominant for most citizens. New NGOs begin to introduce the importance of collecting empirical data and first-hand facts to share with officials.	The sector demonstrates the ability and capacity to respond to changing needs, issues, and interests of the community. NGOs begin to form coalitions to pursue issues of common interest, monitor and lobby political parties, and monitor and lobby legislative bodies.
Service provision A limited number of NGOs are capable of providing basic social services. Those who do receive few if any government subsidies or contracts.	Many NGOs provide goods and services. Many NGOs produce services beyond basic social services to such sectors as environmental protection and democratic governance. In some sectors, they may be receiving government contracts.
Infrastructure There are few, if any, active NGO Intermediary Support Organizations (ISOs), networks, and umbrella organizations. Those that do exist operate mainly in the capital and provide limited services. Local training and NGO development capacity is extremely limited.	ISOs are active in all areas of the country and provide advanced training, legal support and advice, and philanthropic development activities. Efforts are under way to found and endow community foundations, indigenous grantmaking institutions, etc. Local trainers are capable of providing high-level training throughout the country.
Public image The general public and/or government are uninformed or suspicious of NGOs. Most of the population does not understand the concept of "nongovernmental" or "nonprofit." Media coverage may be hostile through ignorance or at the direction of the government.	There is growing public knowledge of and trust in NGOs and increased rates of volunteerism. Widespread examples of good working relationships between NGOs and national and local governments exist and can result in public-private initiatives or NGO advisory committees.

Table 2.2 Sustainability Index Component Scores for Russia

Component	*Score*
Legal environment	4.2
Organizational capacity	4.0
Financial viability	4.7
Advocacy	4.3
Service provision	4.3
Infrastructure	3.4
Public image	4.5

Source: USAID (2002).

At the other end of the spectrum, Russia's NGO sector development is rated worst for the financial viability component, although there has been some improvement in recent years. The surge in the country's economic growth—and more aggressive fundraising by some NGOs—has helped fuel business contributions to nonprofits, including high-profile giving by some well-known oligarchs. Support from municipal governments and Subjects of the Federation has also increased, taking the form of grants for the provision of services. The grants are often awarded on a competitive basis.

Russia's development in NGOs providing services to various populations falls behind most of its peers (data not included in table 2.2). Its score of 4.3 places it in the middle of Eurasian countries and behind all but Albania, Macedonia, and Montenegro among countries in the Northern and Southern Tiers. It is important to keep in mind that nonprofits provide a wide range of services, including operating policlinics, running schools, and operating homes for the frail elderly, as well as providing social services to people in the community.

The USAID rating group viewed the Russian NGOs as limited in their ability to provide services in a professional manner, owing both to the absence of specialists and lack of technical knowledge and to a limited sharing of good practices among groups. They are also viewed as having a poor understanding of municipal procedures, so they are not easy partners for municipal agencies. Nevertheless, the USAID raters reported NGOs increasing the range of services they provided during 2001 and improving efficiency.

Overall, the information presented indicates that the Russian NGO sector is not at the forefront of development in the region. Moreover,

their delivery of services to the population is not rated as strongly as that of the majority of NGOs in other countries. On the other hand, as described below, Russia may be comparatively more advanced in the social services area.

CONTRACTING FOR SOCIAL SERVICES

This part shifts focus to the current situation in the region for NGOs as contracted deliverers of social services for local governments in a sample of seven EE-CIS countries. The first section provides contextual information on the extent to which NGOs are active in social service delivery and the allocation of responsibility for social service delivery among different levels of government in the sample countries. A second section directly addresses local governments contracting out for social services and the participation of NGOs as providers. The final section discusses the patterns observed.

The seven countries included in the analysis are Albania, Armenia, Croatia, Hungary, Kyrgyzstan, Poland, and Russia. They do not constitute a scientific sample of countries in the region but they certainly represent a range of environments in terms of progress toward building liberal democracies and NGO sector development. And they therefore should give a good idea of the likely scope of developments in the region.[2] These particular countries were selected because the Urban Institute (UI) had resident advisers in six of them who could assist with the assembly of data. In the other country, Poland, I relied upon a local think tank to develop the information. The respondents provided the information for 2000 following an outline. There is a general lack of quantitative information on the types of activities and finances of NGOs in the region, particularly outside of Central Europe. For this reason most of the information presented is based on judgments of knowledgeable observers interviewed by UI staff in the sample countries.

The Environment

We begin by discussing three topics needed to understand the variation among countries in the extent of local governments' contracting for social services: the general level of NGO activity in the social services area; whether local or national government agencies have primary responsibility for service delivery at the local level; and whether

contracting out by local governments in general is an accepted practice in the country.

NGOs and Social Services

For a general orientation, I have divided the seven countries into groups by the *relative* degree of NGO activity in the social services area. The seven countries fall into three district categories (table 2.3). In four countries—two in Central Europe and two in the CIS—NGOs have an important role in social services delivery. At the other extreme, NGOs in Kyrgyzstan have a very limited role where their predominant activity is operating a series of family health clinics with funding from the national government. In between are Albania and Croatia where NGOs have modest involvement. In Albania, for example, NGO-operated programs include the following:

- For children—special programs to reintegrate street children, including Romany children, in the regular school system through additional educational assistance, and limited economic help and social services to their families; programs for progressive reintroduction for children and youth into families through foster care;
- For women—provision of temporary shelter, psychological support, temporary financial aid, hot lines, and job referral;
- For youth—centers providing information on training opportunities; language and computer courses; entertainment and cultural events; and provision of information on sexually transmitted diseases and drug addiction.

Between Albania and Croatia, NGOs in Croatia appear to have a higher activity level.

Table 2.3 also shows the primary source of financing of NGO activities in this sphere, divided between donor support and "local support," which includes both private and government sources. In four countries NGOs rely on local funding, while in three—Armenia, Albania, and Croatia—donor funding accounts for the substantial majority of funding. In Albania and Croatia efforts to address the aftermath of the recent conflicts in the region have resulted in very high donor assistance levels generally, stimulating NGO formation and social service delivery. Armenia is also distinctly favored by the international community, particu-

Table 2.3 NGO Social Assistance Activity Levels and Primary Funding Source by Country

Country	*Primary funding source*
NGOs have important role	
Poland	Local
Hungary	Local
Russia	Local
Armenia	Donors
NGOs have modest involvement	
Albania	Donors
Croatia	Donors
NGOs have very limited role	
Kyrgyzstan	Local

Source: Reports from Urban Institute field staff.
Note: Local includes both private and public sources from within the country.

larly U.S. bilateral assistance and support from the Armenian diaspora community.

Government Responsibility for Social Services Delivery

The question addressed here is whether local governments have responsibility for the delivery of social services within their communities. As an indicator of the locus of responsibility we use the level of government that employs the staff in the local social assistance offices. The top row of table 2.4 shows a diverse distribution. In two CIS countries—Armenia and Kyrgyzstan—these offices are branches of national ministries and the staff are national government employees, reflecting the absence of local control. Some social assistance offices in Croatia and Russia are staffed by local government employees and some by national or regional government employees. In both, however, local agency administration is the rule (Gallagher et al. 2000; Pigey et al. 2001). In Russia, for example, social assistance is administered by local offices with the exception of child allowances, which can be administered by the cognizant regional government or be assigned by the regional government to localities. In Poland and Albania, social assistance administration is very dominantly a local responsibility. No particular pattern is evident in these countries

Table 2.4 Status of Local Government Contracting for Social Services in Selected Eastern European and CIS Countries

	Poland	*Hungary*	*Croatia*	*Albania*	*Armenia*	*Russia*	*Kyrgyzstan*
Social assistance office staff for nat'l programs are employees of local gov (LG) or nat'l ministries	Local	Mixed	Mixed	Local	Nat'l	Mixed	Nat'l
Is the legal base in place at the nat'l level for contracting out?	Y	Y	Y	Y	Y	Y	Y
Do LGs contract out for any services?	Y	Y	Y	Y	Y	Y	N
Do LGs contract out for social services?	Y	Y	Y	N	N	N[a]	N
If LGs contract for social services, have NGOs won contracts?	Y	Y	Y	NA	NA	NA	NA

Source: Reports from Urban Institute field staff.
NA = not applicable
a. A few scattered demonstration projects for contracting out have been mounted with donor assistance.

between the level of government with administrative responsibility and the source of funding for social services.

Contracting by Local Governments

Two questions are considered in this section: do local governments have the legal authority to contract out for services? and, is contracting out for services used in areas other than social services?

All seven sample countries have laws in place that permit contracting out for services. Note that even though there is national authorizing legislation, a local government in some countries may still have to pass a local ordinance to actually undertake contracting out in its community. Passage of such laws can be strongly resisted by municipal social agencies who fear that some of their workers could be displaced by the contractors.

Local governments in all the sample countries except Kyrgyzstan are contracting out for some types of services. Typically contracts are for such services as garbage removal, street repair, building rehabilitation, and maintenance of municipal housing.

So local governments in most of the sample countries have relevant experience in contracting out. But the independence or isolation of different line agencies from each other is typically great. So one cannot assume that the practice of contracting out for housing maintenance by the housing committee will be observed and emulated by the social protection committee for social services.

NGOs as Contracted Social Service Providers in the Region

Local governments can support NGOs as providers of social services in three ways. The first is to give NGOs in-kind assistance, such as free office space, free or discounted fees for registering to be qualified to deliver certain types of services, and free or discounted services such as printing notices or having city employees cooperate in executing certain projects. My sense from the field reports is that this form of support is the most common overall.

Grants to provide services are the second form of support by local governments. Such grants are made either on a discretionary basis or through competitions. Grants are quite common in Hungary, Poland, Croatia, and Russia where NGOs are important providers. In Hungary

and Russia the selection process for discretionary grants in particular is often quite opaque.[3] Competitive grant allocations are more common in Poland and Croatia and are becoming significant in Hungary and Russia.

In Croatia, under the Law on Social Welfare, 5 percent of budget income must be allocated to covering expenses of accommodations in social welfare institutions, such as centers for social welfare, social welfare homes, or centers for assistance and care (Pigey et al. 2001, 53). Many cities are using some of these funds for "current grants for nonbudgetary users" (NGOs). These grants are awarded on a competitive basis. In general, a city will advertise in newspapers that it is going to award a grant for certain services and NGOs submit their proposed work plan to the city. The city council then determines which organizations will receive grants.

Contracts between local governments and NGOs for the delivery of social services is the third type of support. As shown in table 2.4, such contracting is exceptional: it is present in only three of the seven sample countries—Croatia, Hungary, and Poland. In Hungary in 1996, about 11 percent of local governments contracted with NGOs.[4] But contracts only numbered about 900. Of the contracted value, about 18 percent was for health care and welfare services. The volume of contracts was believed to be much higher in 2000. Still the degree of competition in allocating funds is quite limited. Overall, grants are still the dominant form of assistance to NGOs (Csóka 2000; Osborne and Kaposvari 1998).

In Poland reforms decentralizing administrative responsibilities came into effect in 1990 and shifted numerous administrative responsibilities to local governments. Since then local governments have been the main collaborator with NGOs in numerous areas. Polish local governments are making moderate use of contracting out with NGOs. But again, grants appear to remain more important. As in Hungary, competitions for contracts do not appear to be standard practice.

In Croatia competitive contracting with NGOs is certainly the exception rather than the rule. But the practice clearly exists in the cities of Rijeka and Osijek among others.

CONCLUSION

Contracting out by local governments for social services is certainly exceptional in the Eastern Europe-CIS region. The rule seems to be that

NGOs have had some success in obtaining contracts where liberal democracy and NGO sector development is most advanced. Interestingly, even in these countries local governments typically prefer to award contracts without going through a competitive process. Among the sample countries, conditions have been comparatively unwelcoming for NGOs in Kyrgyzstan and, until recently, Croatia and Albania. But even in Russia and Armenia where the specific conditions for NGOs are better (even if Armenia ranks fairly low as a liberal democracy), traditions of public agency delivery of social services remains firmly in place.

NOTES

1. This section draws heavily on USAID (2002).
2. The Freedom House indices are widely accepted as serviceable indicators of the conditions for liberal democracy and economics in the countries of the region. See Karatnycky, Motyl, and Shor (1997).
3. See Osborne and Kaposvari (1998) for Hungary. We do not have parallel information for the situation in Poland.
4. NGOs are also supported by the national government for social service activities by capitated grants for certain services. The grants are part of the overall system of intergovernmental fiscal relations; any organization providing the specific services is eligible for support but each must conclude a contract with the responsible national ministry or local government (Csóka 2000). Funds received through this structure are greater than the volume of contracts with local governments. These so-called "normative grants" account for the bulk of transfers from the national government to localities (Ebel, Varfalvi, and Varga 1998).

Raymond J. Struyk with Patrick Corvington

3

How Mature Are Russian Social Assistance Nonprofits?

A key question for those considering adopting a policy of contracting out with NGOs is their readiness, professionalism, and capacity to take on this role. In other words, how well can NGOs articulate their mission; what is the quality of their management of service delivery, including quality control, case management practices, and record keeping; and how do they recruit volunteers and clients? To address these questions, in fall 2001 Patrick Corvington, assisted by Kirill Chagin, conducted on-site interviews with directors, staffs, and in some cases clients of 13 NGOs that provide social services in four Russian cities. This chapter presents the findings of the survey.

THE ASSESSMENT

The assessment focused on identifying typical Russian service delivery NGOs. Because NGOs in Russia vary widely in activity, size, funding, and structure, we selected a range that covered many different types of NGOs. All NGOs we visited had as their primary function the delivery of social services rather than political or social advocacy.[1] Services provided included in-home care to the elderly, shelter care to homeless children, assistance to disabled veterans, and services for the mentally ill. Though these NGOs were similar in that they all provided social services, they differed in terms of size, staffing, funding, and infrastructure.

NGOs were visited in Moscow, Perm, Krasnokamsk, and Arzamas. In the three latter cities, the Urban Institute and the Institute for Urban Economics (IUE-Moscow) are working with local administrations on implementing social sector reforms. Moscow was included because of its national importance. These cities, all located in European Russia, cover a wide range of population sizes: Moscow, 8 million; Perm, 1 million; Krasnokamsk, 70 thousand; and, Arzamas, 110 thousand. Experts from IUE selected the specific organizations included in the sample based on their knowledge of service-providing NGOs in each city to provide a realistic range of organizations. No claim is made that the NGOs visited constitute a representative sample.[2]

Each NGO visit lasted from a half to a full day and included in-depth interviews with the directors, staff, volunteers, and at times clients. In addition to the in-depth interviews we were (where appropriate) able to accompany staff on home visits or observe NGO staff as they provided services. Protocols guided the interviews.

As noted, the assessment was designed to identify how NGOs provided services rather than on formation and governance issues. More specifically, it examined service delivery practices against widely accepted organizational and management standards for nonprofit social service delivery organizations (Hatry 1999). As detailed below, a number of the sample NGOs had no systems whatsoever or clearly inadequate practices in place. The assessments thus involved a rough sorting of NGOs by their practices. Based on our experience in working with social services agencies in the four Russian cities, we believe our ratings of strong practices would also be consistent with those of city agencies conducting the local competitions. With that in mind, the interviews focused on management structure, monitoring and reporting, file and case management, recruiting clients, recruiting staff and volunteers, and actual service delivery, as well as staff size, number of clients, and funding. Table 3.1 identifies the NGOs visited and, in general, the services they deliver. The names used here are not the NGOs' real names.

FINDINGS

The NGOs visited tended to fall into one of three types. First are those who serve as a branch office of an international organization. In this

Table 3.1 NGOs and Services Delivered

Moscow	
Soft Heart	In-home medical, cultural, and companion services for disabled elderly people.
Club	Psychological services and employment training for the mentally ill.
Health Group	Psychological services to terminally ill people and their families.
Foundation	Legal assistance to mothers whose sons died while serving in the military during peacetime.
Community	In-home services for needy people in the community.
Perm	
Forward	In-home service for elderly people and their families who were repressed or imprisoned during Soviet times.
International	Services for elderly Jewish people in the Perm region.
Support	Shelter care for homeless children.
Women's Club	Psychological and educational services for mentally disabled children.
Krasnokamsk	
Disabled	General social services for disabled people including employment training, cultural activities, and discount meals.
Mutual	An association of pensioners providing emergency financial assistance to its members.
Elderly	General in-home services for the elderly including volunteer aides and cultural activities.
Arzamas	
Family	Support services for victims of domestic violence and alcoholism.
Listening	Educational services for young deaf children and their families.

Source: Authors' interviews.

case, the NGO receives all of its funding, polices and procedures, and training from its "mother organization" and is set up in a community where the international organization has determined there is a need for services. The NGO is responsible for recruiting its own clients and reporting activities to the mother organization. Only one NGO fell into this category—International, funded by a foreign NGO. International, which provides services to elderly Jewish people in the Perm region, was founded and operates as one of the many JDC-supported NGOs in Eastern Europe. It receives its funding, training, and infrastructure sup-

port from the JDC. It has a highly developed computer system to aid in managing service delivery, case management, and monitoring and reporting.

Staff of International receive annual training on how to deliver specific services. As part of this training they receive policy and procedure manuals that identify service standards and reporting and monitoring standards and practices. In addition to training and funding, Khesed Kokhav also receives infrastructure support in the form of computers and prepackaged case-management and reporting software.

The second NGO type are those we consider franchises. In these cases, an international or national NGO has assisted in creating or developing a local NGO to provide a particular service. The local NGO receives training and at times technical assistance support and is expected to provide services in accordance with standards set at the national or international level. In some cases the local NGO is created by the international or national organization, but in other cases the local NGO applies to the national organization to become certified or legitimized as a service provider. This legitimization affords the local NGO some standing and recognition when presenting itself to the public and potential funding institutions. We saw examples of both types in the franchise model.

Club, a franchisee of the Club House International system, provides mental health counseling, support, and training to its clients. It operated for several years before it became certified as a "Club House." In order to be certified, it had to meet the requirements of Club House International. This meant that the clients had to be represented in the governance structure and that services and records had to be kept in a certain way. The international NGO provided technical assistance, training, and some infrastructure support for prepackaged Club case management and reporting software that culminated in an extensive site visit in which Club became certified. Though Club does not receive support from the international NGO beyond the training, technical assistance, and software, it is able to present itself as a Club to funding institutions. As with any other franchise, the funding institution is clear about what it expects when funding a Club program. The legitimization and certification enables the funding institution to be certain that this NGO, having been certified as a Club, meets certain standards. The NGO, having been certified, continues to receive technical assistance and training opportuni-

ties as well as updates and the opportunity to remain current in the field. The franchises thus become part of a community from which they can draw support. In this case, for example, staff from Club have visited a member in England to trade ideas about service provision and training.

This franchise model also works with national organizations. For example, Disabled, the Krasnokamsk branch of a Russian NGO, operates as a franchise. In this case, however, the rules are not as clearly defined or strict as in the previous example. Nevertheless, the concept is the same. Disabled can use the name of the Russian NGO in presenting itself to potential clients and funding institutions. But this local NGO receives few benefits beyond name recognition.

Grassroots NGOs were the third type of NGO encountered. Nine of the 13 NGOs visited fell into this category. Grassroots NGOs are what one traditionally thinks of as small service delivery NGOs. They were founded and are run primarily by volunteers and were created to meet a particular need in a community.

Table 3.2 identifies NGO size as measured by staff and client numbers. Grassroots NGOs tended to have fewer clients and paid staff than the NGOs in the other two categories. Of the nine grassroots NGOs visited, three had no paid staff and two had only one paid staff person. On the other hand, only one of the franchise and branch office model NGOs had a paid staff of one. For reasons discussed earlier, this NGO (Disabled) operates more like a grassroots NGO than a franchise.

The number of clients varied substantially across all categories of NGOs, although the three NGOs with 25 or fewer clients fell into the grassroots category. One of these NGOs, Support, was limited by space and thus could not provide services to additional clients, while the other two were limited by their inability to recruit clients.

Organization of Operations

Table 3.2 also categorizes the NGOs visited by type—branch office, franchise, and grassroots—and rates functions for each NGO. A rating of high (H) identifies an NGO with a well-thought-out and functioning system; medium (M) identifies those with a generally well-conceived plan that they have not been able to fully develop and implement; and low (L) identifies those that have not thought systematically about this area or that have never moved forward with developing and implementing a plan for action in this area.

Table 3.2 NGOs by Type and Function

NGO	Paid staff	Number of clients	Funding	Monitoring and reporting	Recruiting staff	Recruiting clients	File and case management
Branch office							
International	8	1,500	Foundation	H	H	H	H
Franchise							
Club	6	50–100	Local foundation	H	H	H	H
Forward	15	600–700	Foundation	H	M	H	H
Disabled	1	1,000	Membership dues	M	L	H	H
Grassroots							
Health Group	5	350	Foundations, municipal, international development orgs.	M	L	L	L
Foundation	17	Over 200	Foundations	H	H	H	H
Community	0	All people in micro-district (8,000)	In kind donations	L	L	L	L
Support	6	22	Foundation and private donations	L	M	H	L
Women's Club	1	25	Municipal	L	L	M	L
Mutual	1	1,500	Membership dues	M	L	H	H
Elderly	6	All people in district (thousands)	Municipal grants	L	L	H	L
Family	0	50–100	In-kind donations	L	L	L	L
Listening	0	9	In-kind donations	L	L	L	L

Source: Authors' interviews and analysis.

As expected, those NGOs in the branch office or franchise category tended to do better in terms of the four functions. Those NGOs that were part of less stringent franchises tended to have slightly lower function ratings within this group. For example, Disabled had very low or informal franchising requirements and thus their rating is not as high as Club, which has very strict franchising requirements.

Forward presents an interesting case because its association with a major international NGO does not carry with it strict franchising and certification standards. This, however, does not prevent it from having good management practices in place. These practices result primarily from the requirements of western funding institutions. The franchising has allowed Forward to raise funds from western foundations (e.g., The Ford Foundation), which require fairly strict accountability practices in terms of monthly and annual reports. The NGO has had to have systems in place meeting these requirements. Thus franchising has two main management benefits. First, it can force NGOs to meet certain standards for service delivery and monitoring to be a franchisee. Second, it can link an NGO to a well-known national or international organization that provides access to funding institutions that require certain reporting and management practices.

This situation is made slightly more complex by the experience of Club. Despite the strict franchising requirements that resulted in good monitoring and reporting and case management practices, this NGO has not been able to generate funding. In fact, at the time of our visit, Club had not provided any services for three months and did not expect to be operational again for another two months. The staff had applied for several grants but had not yet received responses. Though Club has well-defined management practices, it is also possible that the franchising requirements and technical assistance focused primarily on service delivery and management and not on fundraising. Thus Club has received adequate training on service provision and how to manage its organization but still has little background in financial management and fundraising.

The grassroots NGOs presented the customary problems of new and small NGOs—several, however, were neither new nor small. Only one of these NGOs, Foundation, demonstrated sound management and monitoring practices. It is unclear why this is the case. It may simply be that this NGO is made up of lawyers and journalists who have had profes-

sional experiences elsewhere and are thus more likely to know how to manage an organization.

The other NGOs in this category frequently exhibited an inability to engage in basic management practices, particularly in monitoring and reporting and case management. Directors had difficulty identifying how many clients they served, what services they delivered, and specific sources of support. One area in which these NGOs showed some promise was their ability to recruit clients, though for a few this was clearly a problem as well.

Those four NGOs that were rated low in their ability to recruit clients tended to say simply that people knew that they existed and how to reach them. These NGOs did not have a recruiting strategy in place nor did they feel they needed one. On the other hand, the other five NGOs in the grassroots group had developed either an outreach program or a referral process. Support, for example, provides shelter care for homeless children and spends much of its time working the streets looking for children who need shelter. This is not a recently developed recruitment strategy. This NGO began its work as a street outreach organization and subsequently opened a shelter; thus, outreach is at the core of what it does. Women's Club, in contrast, has developed what amounts to a loose but at times effective referral process. Because one of its volunteers is a psychologist at the local hospital, they were able to establish a relationship with the hospital to send children with disabilities to them for services. But beyond this referral process, there are few management practices in place.

When asked about how many new clients they could serve, most of the grassroots NGOs had the same response—they could serve as many clients as necessary. Only Support had a clear understanding of its client load. Because it is a shelter for homeless children, its limits are determined by the number of beds and space available. The other NGOs in this category had not thought in terms of their staff size and client-to-staff ratio.

Regarding staff recruitment NGOs face two principal issues—finding funds to support additional staff positions and having a clear definition of services for which positions can be established. The franchise and grassroots NGOs were faced with the funding issue, while the branch office NGO was not. When asked why they did not hire more staff, all the NGOs in the franchise and grassroots categories stated that they could

not afford it. When probed about how they might recruit staff if they were to receive additional funding, most directors replied that they would not experience difficulty in this area because they would simply hire existing full-time volunteers.

Three NGOs in the grassroots category had no paid staff. When asked about whether they wanted to be able to hire staff, they were emphatically positive. They reported that one of their major struggles is to find funding to at least pay the director of the NGO. When probed about how they were tackling this issue, however, they all had a similar response; that the municipal agencies knew that they existed, knew that they did good work, and thus should give them money. This attitude may have been fostered by the municipal stance toward NGOs as organizations that do good volunteer work in the community rather than as professional organizations that can serve as a source for outsourcing municipal activities.

Defining those services for which staff could be recruited proved to be a greater problem for grassroots NGOs than for those in the other two categories. It seemed clear from the interviews that some NGOs were unclear what new staff would be hired to do. Women's Club and Family, for example, had such a poor definition of services that it was unclear what current volunteers did, much less what functions a paid staff person would perform. Those NGOs with a slightly better definition of services, however, still lacked sufficient clarity to identify positions beyond the director.

Volunteer recruitment did not appear to be a problem for the NGOs visited. Volunteers were often recruited from their service pool. People who volunteered at Club and Health Group were in some way touched by the issues addressed by these NGOs—mental illness and terminal illness. Forward, on the other hand, used high-school students as their primary source for volunteers. For those organizations for which volunteering is not part of the service mission, volunteers were mostly family and friends of those who had founded the NGO.

Monitoring and Reporting

As discussed earlier, those NGOs that fell into the branch office and franchise categories tended to have better monitoring and reporting systems. In general this was part of the package associated with being in these categories.

- As a branch office, International received training, policies and procedures, standards, and reporting software as part of its association with the JDC.
- As franchisees, Forward and Club also received different levels of training, policies and procedures, and reporting standards.
- Forward received its reporting standards from its association with a western funding agency, but its franchisee status is in part what enabled it to receive funding.

For grassroots NGOs the monitoring and reporting situation was grim. Of the nine NGOs in this category, six rated low and only one, Foundation, rated high. Again, this NGO is slightly different than the typical grassroots NGO. In addition, Foundation receives some of its funding from western foundations and, as with Forward, must rise to their accountability standards.

For most of those who rated low, monitoring and reporting held little importance. One NGO, Support, which provides services and shelter care for homeless children, recognized the importance of monitoring and reporting but felt too overwhelmed by staff, budget, and time constraints to develop a system. For the other NGOs, however, it was difficult for them to understand why monitoring and report are important. Those NGOs with very small client loads felt that they did not need to keep records of how many clients they served, since they knew each client. When asked what they would do if their client load increased three- or fourfold, they were at a loss to understand how that might affect their ability to provide services. Those NGOs with a heavy client load saw their service provision and clients as the community rather than individuals (despite the fact that they primarily served individuals) and thus did not require monitoring and reporting structures.

Two NGOs rated medium in this category—Mutual and Health Group. These NGOs had very different systems based on the kinds of services they delivered. Mutual has one paid staff person, an accountant. She keeps records of who has received money, the nature of the transaction (grant or loan), and the number of times the client has accessed services. In addition to disbursements, the accountant tracks membership dues to ensure that those receiving assistance are in good standing. Health Group maintains records of how many support groups and seminars it has conducted, but devotes less attention to tracking the number of people attending the support groups and seminars. From a monitor-

ing perspective, no oversight of the quality of the seminar and support group leaders was evident.

Though some NGOs kept records of the number of clients served, there was little evidence that they had thought in terms of quality or at least standards of service delivery. When asked about how they monitored or at least knew that the services were being provided in an adequate manner, most NGO directors responded the same way—they knew the staff or volunteers were good people and thus they would do a good job. When probed with questions that removed the intent to do harm—that is, if a staff person is doing something improperly but does not know it—the directors responded the same way. The concept of management or monitoring for grassroots NGOs seemed to imply that staff are intentionally doing something wrong. Thus, if the director knows the staff and volunteers are good people who would not do bad things, then there is no need for monitoring.

Finally, in terms of reporting, almost all of the NGOs in the grassroots category could not conceive of reporting their activities to a funding institution. When pushed to think about what they thought a funding institution would want to know, most NGOs responded that institutions would want to know that they are doing a good job. When asked how they could show funders that they are in fact doing a good job, NGOs responded in the same manner as with the questions about monitoring—because they are good people the funder would know that they are good people and that would suffice as proof of their good work.

File and Case Management

As with other functions, those NGOs in the branch office and franchise categories did well and all were rated high in file and case management. Grassroots NGOs, however, fared poorly. Except for the two that scored well in monitoring and reporting, all were rated low. For all these NGOs, their attitudes toward monitoring and reporting were amplified for file and case management. Most NGOs in this category sensed that they know their clients and thus know and understand their needs. This was particularly true of NGOs with small client loads that felt that they had no need for any kind of file or case management. As with monitoring and reporting, when asked how they would keep track of their clients and the services they receive if the client load were multiplied, NGOs

stated that they did not see this as a problem and that they would be able to adequately manage this growth.

It should be noted that the grassroots NGOs were not necessarily against developing a file or case management system, they were simply unfamiliar with the resulting benefits. Also, for some NGOs, developing this system could easily be done given some of the practices already in place. For example both Support and Women's Club have a file system associated with their clients. Support must keep some basic records on the children's educational progress while they are in the shelter and clients of Women's Club have psychological files at the hospital. Using these existing systems, the information captured in these files could be expanded to meet the needs of case management and reporting. At the very least, each of the grassroots NGOs had a card with name and contact information for each client, but little information beyond this was recorded.

In one instance, confusion about services being delivered resulted in some improved file management. Disabled offers a subsidized cafeteria service to its clients. Several clients began complaining that they had not received this service while the volunteer insisted that they had. To resolve this problem, the director instituted a sign-in sheet as well as notations on the cards of each client who received this service. Though this seems like a small step in file and case management, it yielded the expected results of client and volunteer accountability as well as information about usage the director could use to apply for grants. In most cases, however, clients were grateful to be receiving any services. Because of the limited services provided by municipal agencies (Gallagher et al. 2000), clients welcome the receipt of NGO services. For example, where few specialized services for disabled children are available, parents whose children receive services from NGOs are very grateful that their child is receiving specialized attention, and they might not be overly concerned about the quality of services received.

Clarity and Flexibility

As additional indicators of NGOs' readiness to participate in competitions, we assessed two further aspects of the sample NGOs: the NGO's ability to clearly define its current scope of activity and the director's description of how easily the organization could add or modify services to meet contract or grant requirements.

Measuring the ability of a NGO to define its services is one way to assess how the NGO could market itself to a contracting agency. Some NGOs in our sample were able to generally describe what they did but were unable to specifically and clearly define their services (table 3.3). Despite constant probing and meeting with staff and clients, it was at times difficult to obtain a complete understanding of the menu of services provided by some NGOs. This inability to define services can be seen as reflecting how these NGOs view themselves and the services they provide. It may reflect their desire not to be bound by a particular set of services or a specific mission. More likely, these NGOs had not clearly defined their mission, and they provide ad hoc services to a poorly defined population.

Though NGOs may at times redefine their mission when responding to RFPs or grant competitions, the adjustments are usually modest and do not require dramatic changes. They can be considered enhancements to existing services or additions of natural components.[3] For example, an NGO providing shelter care to homeless children can add a counseling component for children in the shelter, or an NGO providing services for the mentally ill can add a support group component for families of clients. Similarly, an NGO can install management practices that would allow it to be responsive to the reporting requirements of a funding agency.

The results of assessing the sample of NGOs on their ability to define their activities and to adjust their services are reported in table 3.3. As expected, those NGOs in the branch office or franchise category tended to have a clear definition of services and a strong ability to switch or add services in response to an RFP or grant opportunity. Somewhat surprisingly, however, some grassroots NGOs were also able to make the appropriate adjustment in response to an RFP or grant. Only four of the NGOs visited appeared to have no ability to adjust their services. Two of these also had very limited service definitions.

Two NGOs, Listening and Health Group, had a clear definition of services but a low ability to add or adjust services. This situation is particular to these NGOs because they provide specific services to a very clearly defined population based on a particular paradigm. Though the services they provide are different, in both cases the NGO was founded on a particular theoretical underpinning to which the director wants to remain true. In the case of Listening, the services provided to deaf children are based on a particular movement in the deaf community; and, in the case of Health Group, the support groups follow a specific

Table 3.3 NGO Focus and Flexibility

NGO	*Clear definition of activities*	*Ability to add or adjust services*
Branch office		
International	H	H
Franchise		
Club	H	M
Forward	M	M
Disabled	H	H
Grassroots		
Health Group	H	L
Foundation	H	H
Community	M	M
Support	H	H
Women's Club	L	L
Mutual	H	H
Elderly	M	H
Family	L	L
Listening	H	L

Source: Authors' interviews and analysis.
H = high; M = medium; L = low.
Note: For definitions of ratings, see page 29.

methodology rooted in "attitudinal healing." These NGOs have little interest in expanding or enhancing their services in response to a grant because to them the manner in which the service is provided is as important as the service.

The results reported in table 3.3 are encouraging because they show the ability of a substantial share of NGOs to respond to RFPs and grant opportunities. Clearly the branch office and franchise NGOs are prepared and able to respond to RFPs and enter into contracts with municipal agencies to deliver social services. Still, many grassroots NGOs that are willing to pursue such opportunities will have to strengthen their service delivery operations to be successful.

TRAINING TO BUILD CAPACITY

The assessment makes clear that all the grassroots NGOs could profit, sometimes dramatically, from training and other types of assistance,

such as guidelines and good practices materials on the "nuts and bolts" of service delivery. A list of topics that could be covered includes the following:[4]

Service delivery

- Identifying the target client population
- The flow of clients through the program
- The Case Plan—the client's needs and how they will be addressed
- Developing the case file
- Case management
- Differentiating among types of services

Standards, monitoring, and reporting

- Setting standards for service delivery
- Monitoring service delivery
- Reporting on service delivery

Staff and volunteers

- Recruiting staff and volunteers
- Managing staff
- Managing volunteers

The donor community currently supports an extensive NGO training program in Russia, with NGO-support centers established in many of the larger cities. So this type of training could be efficiently provided to service delivery NGOs by exploiting these existing resources.

CONCLUSIONS

The range of capability of Russian nonprofit organizations providing social services is indeed wide. Our visits to a sample of 13 NGOs confirmed the relatively high level of professionalism in those NGOs that had received substantial technical and financial assistance from international organizations with similar missions. Among the nine grassroots NGOs in the sample, one-quarter appear to have the potential capacity to deliver services under contracts to local governments.

At the same time, many NGOs are unlikely to be attracted to serving as contractors to local governments. For capable NGOs with highly particular missions and corresponding operating rules, changing their service offerings or operational modes to comply with local government requirements is likely to be too disruptive to their core missions.[5] For NGOs with extremely simplistic operations and a nearly complete lack of management systems, their leaders are unlikely to seek to achieve the level of professionalism necessary to compete successfully for contracts.

In between is a group of NGOs that have the basic capabilities and may have interest in serving as contracted service providers for whom training could accelerate the development of professionalism. To date training for NGOs in Russia has been mostly organized and supported by the donor community. The training has disproportionately favored advocacy nonprofits relative to those engaged in service delivery. Generic training, i.e., that not targeting on advocacy, has tended to emphasize issues of start-up, governance, networking, and fundraising.

While the training to date has covered important topics, it now appears appropriate to shift the emphasis to ways to increase the efficiency and professionalism of service delivery for the many NGOs engaged in these activities. Such training could increase the number of NGOs able to serve as contracted service providers to local governments. But more importantly, it would generally improve these organizations' success in realizing their community missions.

NOTES

1. One NGO, the Perm Branch of Forward, was unclear about what it considered its primary activity—serving those who suffered under Stalin and later repressive governments or refurbishing camps as museums and human rights activism.

2. It is very doubtful that the information exists to identify the population of think tanks at the national level. At the municipal level, where there are NGO support centers, these entities have a good list of NGOs that, while not absolutely complete, could be a serviceable sampling frame. Two of our cities have support centers. All NGOs should register locally, but responsibility is badly divided. Public organizations register with the local office of the Ministry of Justice and noncommercial organizations register with district (including raions within municipalities) administrations. So compiling a comprehensive list from which to draw a sample would require visiting multiple offices. In Perm, for example, eight offices would have to be visited. Cooperation is fre-

quently not forthcoming from these offices without receiving a letter of support from the local administration. In short, creating a sample frame for even one city is a very substantial task.

3. See, for example, the discussion in Boris and Steuerle (1999).
4. Based on Corvington (2002).
5. Salamon (1987) refers to this phenomenon of NGO behavior as "philanthropic peculiarism."

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NGOs as Contracted Service Providers, Round I

This chapter and the next report on the results of two rounds of demonstration projects where local governments contracted with NGOs selected through a competitive process to deliver social services to a range of populations. The present chapter addresses the competitions and delivery of services that occurred in 2000–01 in three cities—Perm, Novgorod Velikii, and Tomsk.[1] Chapter 5 describes the results of a second round of competition held in Perm in 2002. The sequencing is important because valuable lessons were learned from the first contracts that were applied in designing the competition and contract for the second.

To provide essential context the next two sections briefly review the overall record on the effectiveness of contracting out by local governments and the rationale for NGOs 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 holding competitions through the actual delivery of services. The last major section reviews the strengths and weaknesses observed and lessons learned through this experience.

CONTEXT

The three cities where pilot competitions were implemented participate in a USAID-supported project to improve the design and administration of social assistance at the local level in Russia. They range in size from about 250,000 (Novgorod) to 1 million (Tomsk) in population.[2] 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 (such as homeless people and victims of domestic violence); but the law allows local governments 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 (Gallagher et al. 2000).

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 enact a law to permit contracting out. Implementing regulations are also necessary. All three of our 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 point is that only Perm had given grants to NGOs to provide social services before the project proposed the idea of contracting out with NGOs for social service delivery (Gallagher et al. 2000, table 16). So the idea that NGOs could play a constructive role in delivering services of this type was novel in Novgorod Velikii and Tomsk. But even in Perm, there was virtually no monitoring of service delivery, and the NGOs 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 NGO-support center lobbied the administration actively for the pilot. Finally, in all cities, the contracts were to provide services to additional beneficiaries, i.e., the NGOs were not substituting for municipal agency in providing services.[3]

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 NGOs would do an adequate job of 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 4.1, rows 6 and 7).

ASSESSMENT PROCEDURE

Information about the contracting experience 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 (NGOs) 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.

Table 4.1 Summary of Contracting and Service Delivery Experience

	Novgorod	*Perm*	*Tomsk*
The competition			
1. No. of competitors	2 NGOs 1 municipal agency	4 NGOs	15 NGOs
2. No. of winners	1 NGO	3 NGOs	9 NGOs
3. Selection panel used scoring sheets	No	Yes	Yes
4. Selection panel followed competition guidelines	No	Substantially	Substantially
Services[a]			
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 (age 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 NGO	Not defined
9. Actual no. of beneficiaries	5[b]	At least 20 per NGO	Not known
10. Who selects beneficiaries?	Contractor	Contractor	Contractor
11. Beneficiaries receive services specified in contract?	Few	Yes, but contract permits significant variation	Yes, but contract permits significant variation

Table 4.1 Summary of Contracting and Service Delivery Experience (*Continued*)

	Novgorod	*Perm*	*Tomsk*
Monitoring			
12. Individual case records maintained by the contractors?	No	2 of 3	No
13. Active monitoring by the contractor?	Occasionally	Yes	None
14. Active monitoring by city agency of services delivered?	Not started	Yes	Yes[c]
Client satisfaction			
15. No. of clients interviewed	3	7	5
16. Clients informed of services to be provided?	Poorly	Limited	Limited[d]
17. Clients satisfied with services actually provided?	Yes	Yes; services received defined by the family in accordance with medical advice	Yes
Coordination with municipal agency			
18. Quality of working relations with the municipal agency	Very poor	Very poor	Good for 1 of 3 contractors studied

Source: Data collected by the Urban Institute and the Institute for Urban Economics.

a. 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.

b. The assessment was after only one month of service delivery; more clients are likely to be added.

c. Monitoring only began in the fifth month of service delivery.

d. One contractor in three provided a full list of services to the clients.

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.

THE COMPETITIONS

Some agencies in each participating city 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 experience was the first 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.[4]

Each city prepared an announcement of the competition and publicized it in the local press. Administrations also posted notices in the NGO support centers and in some cases NGOs considered good candidates for the competition were contacted directly. The announcement included a services specification, the requirements for an entity to compete, the deadline, and other information. Potential bidders could receive additional information at "bidders conferences." In all cities individual consultations on completing the application were available for NGOs.

To be eligible to compete a firm had to be licensed to provide the kind of services being acquired. In Perm and Tomsk only NGOs were permitted to compete—a questionable practice but one in line with the announced goal to involve NGOs in the delivery of social services (see table 4.1, 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 worst situation was in Novgorod, where the panel arbitrarily limited the competition to the two NGOs that 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 caused severe damage in the relations between the agency and the winning NGO. The selection panel's experience is noteworthy for another problem: a change in the definition of the services being acquired during the competition. In contrast, the competitions in Perm and Tomsk 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 selection criteria stated in the competition documents. The panels used a longer and broader set of criteria than that indicated in official documents.

CONTRACTS

Each city prepared a contract to govern its relations with the NGO as a service provider.[5] The draft contracts were reviewed and approved by the legal, finance, and economic departments of the municipal government.

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

1. The services to be provided are specified poorly. 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, tracking expenditures is overemphasized. Moreover, the contracts do not grant any latitude 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 in 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 requirement is more appropriate.
5. The provisions on customer sanctions to the contractor are very underdeveloped. Standards for performance are not specified and no process is 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 contracted services provided, or were some omitted or substituted without the customer's knowledge or consent? (3) Did clients (or their guardians) know what services were to be provided? and (4) Were clients satisfied with the services provided? This section addresses these questions in turn.

Clients Served

In all three cities the contractors selected the clients served, even when the competition had stated that the municipal agency would identify them (table 4.1, row 10). For all three programs, the clients were new service populations for the municipality's caseload. In some instances an NGO had served the same clients previously. One of the three NGOs studied in Tomsk and one in Perm were supplying the same services to clients that they had provided before winning the contract.

In Novgorod, the lack of referrals by the agency led to a marked delay in recruiting participants and providing services: a month after services were initiated only five elderly people were receiving assistance out of a targeted number of 25 (table 4.1, rows 8 and 9). In Perm the contractors successfully served 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 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 for assistance in Novgorod. In Perm and Tomsk physically disabled children (Perm) and teenagers (Tomsk) were targeted. In all three cities, the contractor negotiated the set of services provided with the clients (or their parents). The contract provisions governing the services provided in Perm and Tomsk were quite vague and as a result there is no standard against which to judge performance. On the other hand, the contract in Novgorod was comparatively strict in defining the services 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 all contractors did a poor job of informing clients about the range of services being provided. Only one contractor out of the seven studied provided clients with a complete list of services (table 4.1, row 16). The contractor in Novgorod might be viewed as acting deceptively, since it gave clients a list omitting most services that it was obligated to provide under its contract.

Client Satisfaction

All clients receiving services under the pilot programs 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 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) service levels will tend to fall below the required standards. As noted above, the contracts signed between each city agency (customer) and an NGO 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 the contractor monitoring staff performance, delivery of the proper services will likely 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 4.1, 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 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 reg-

ular schedule and spot checks by the customer with clients on the services they have received. With reports provided by contractors to the customers, only reports in Perm provide even counts of types and quantities of services delivered. The reports in Tomsk are more limited, focusing on events produced and materials produced, such as audio and video cassettes. 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 under way 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 NGOS AND CITY AGENCIES

Contact between the NGOs 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.

LESSONS LEARNED

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 indicated the extent of the challenge to improving service delivery in Russia. The tradition of monitoring service provision—regardless of the nature of the provider—was very weak. Municipalities clearly were not thinking that NGOs can be held to strict accountability for delivering a specified set of services to a particular population. So the contracts were vague and

monitoring lax, and NGOs were being assigned new groups of clients rather than existing recipient populations.

Clearly much remained to be done in terms of preparing and executing the competitions and improving contracts—and enforcing them. These improvements included

- greatly tightening the definition of the services provided in both the competition announcement and the contract (including possible explicit case management for some types of clients);
- ensuring that information is given to clients on the 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.

Several other lessons were also clear:

- The contracts themselves required substantial strengthening.
- The level of professionalism for service delivery at most of the NGOs was low; most would improve their operations if they knew how to do so, but good models were not available.
- Monitoring of service delivery by both the cities and the NGOs is underdeveloped and required improvement.

NOTES

1. A fourth city, Arzamas, participated in the project. It signed a contract with an NGO too late to be included in the assessment.

2. For a comprehensive description of the cities and the social assistance programs in them, see Gallagher et al. (2000).

3. Initially the design in Novgorod Velikii called for the selected contractor to service part of the municipal agency's caseload. But in the end this provision was changed.

4. In Perm and Velikii Novgorod, the social service agency conducted the competition. In Tomsk the Subcommittee on NGOs of the External Affairs Committee conducted it, where the selection panel was co-chaired by the chairmen of that committee and the Social Protection Committee.

5. For detailed information on the contracts, see Chagin (2001).

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NGOs as Contracted Service Providers, Round II

Critical lessons were learned through the pilot projects in Novgorod, Perm, and Tomsk. Based on these lessons, a second generation of pilot projects was designed and launched. One element in the demonstration strategy was to work with one or more of the cities from the first pilots so that both officials and NGOs could build on that experience. In the end, only Perm had a procurement in both sets of pilots.

Between the two batches of pilots, attention was devoted to several problem areas identified in the first pilots:

- The guidelines for holding competitions were made more detailed and the guidance generally strengthened. Particular attention was given to improving the clarity and specificity on the services to be provided.
- A model contract was developed that built on the principles in the competition documents. Reporting forms were included in an attachment to the contract. Contractors were subject to less stringent controls over how they used funds and more emphasis was given to outcomes.
- To address the limitations in the professionalism of NGO service delivery systems, guidelines and a training course were developed and implemented.[1]

In addition, the technical assistance team worked with the city administrations and the NGOs to improve their monitoring of service delivery. The team was also in more frequent contact with the NGOs and the local administrations during the competition and service delivery phases to catch problems earlier than was the case in the first pilots.

This chapter reports on results of the second round competition held in Perm, for services delivered from May to November, 2002. The presentation proceeds in five parts. The first describes the services being acquired and the competition. The second outlines the structure of the evaluation. The third and fourth sections examine contractor performance. The fifth offers some brief conclusions.

THE COMPETITION

The 2002 competition was based on a concrete and clear technical assignment for the delivery of social services, *Social Rehabilitation Program for Children and Teenagers with Cerebral Palsy*, which included a detailed description of the clientele, the services to be delivered, their qualitative parameters, and the anticipated results.[2] The program was sponsored by the city's Committee on Labor and Social Protection and designed with the participation of specialists from the city's Bureau of Medical and Social Examination and specialists from the Comprehensive Social Services Center of Ordzhonikidzevsky district, who by this time had had experience with the social rehabilitation of disabled children.

The competition was held in March 2002. The competition was well-managed. The performance period was six months.

Five organizations submitted proposals, four city agencies and one NGO. Three additional NGOs were expected to apply and apparently did not because they thought the program's definition of services to be provided was unrealistic. Importantly, one of the city agencies, Leninsky district social service agency, only took part in the competition because it was pressured to do so by higher authorities.

Three winners were selected—the NGO, Kirovchanka, and two district social service centers, Ordzhonikidzevsky district and Leninsky district. Each contractor was to provide services to 20 clients in one of the city's seven districts. The services to be delivered consisted of two group training courses for the children on everyday life skills and one training course for the parents on how to care for their children.

THE EVALUATION

The evaluation focused on three areas:

- whether the service specification was correct in two dimensions: were the right types of services called for and were the services well specified in the contract;
- whether the costs of providing the services were properly estimated; and
- whether the services were properly delivered by the contractors.

To address these issues the evaluation team relied on several sources of information, beyond a close general tracking of developments. In particular, interviews were conducted with the following groups:

- The director and staff at each of the three contractors.
- The director of a municipal social agency that is engaged in the social rehabilitation of disabled children but did not take part in the competition for the program (Comprehensive Social Services Center of Industrialny district).
- The director of a local NGO that is engaged in the social rehabilitation of disabled children but did not take part in the competition for the program (Association of People with Locomotive Disability).
- The parents of all the program's clients, with interviews conducted at the end of the service period.
- The parents of clients of a municipal agency that provides similar services under budget financing and usual program monitoring (10 clients of the Comprehensive Social Services Center of Industrialny district).

Interviews with clients' parents followed a questionnaire, while those with providers used an interview guide. The interviews were conducted from November 2002 to February 2003.

SERVICE DEFINITION AND COST ESTIMATION

Two problems undermined the program from the beginning. First, according to the contract, the customer (City Committee for Labor and

Social Protection) was to select the clients, and then provide this information to the contractors at the time of the contract signing. However, when the selection process actually began, the customer discovered that many families with disabled children or teenagers were not interested in the program or were interested only in certain components. Moreover, it was found that the initially established characteristic of the targeted group—"retarded intellectual capacity"—was absolutely unrealistic. Families with a disabled child who had some intellectual capacity were not interested in the program, as typically such children had already mastered all the self-care and other essential skills offered by the training.

In response, the customer had to change the target group definition after the competition; and it then shifted the responsibility for selecting the clients to contractors. Out of the three contractors, only Kirovchanka managed to recruit the required number of clients early in the implementation phase. The Comprehensive Social Service Center of Ordzhonikidzevsky district managed to do so by the middle of the program's six-month term, while the Comprehensive Social Service Center of Leninsky district managed to find only one-half of the clients required and had to return the funds designated for the other half to the customer.[3] In fact, the figures in table 5.1 suggest that about half of the parents did not have a very clear idea of the services that they were going to receive. If they had understood the service program more clearly, fewer parents may have participated.

Having the contractors recruit clients exacerbated a second problem: the customer substantially underestimated the cost of delivering the required services. The program failed to include some relevant costs, particularly full administrative costs. When the customer shifted the selection work to contractors, it created substantial implementation risks, because the resources required for this activity—employee time, phone calls, production costs for information letters, and other expenditures—were not included in the estimated costs. Leaders of the contracted organizations interviewed claimed that costs were underestimated by as much as 50 percent. During the interviews with contractors' staff, the evaluators learned that client selection had taken about 30 percent of the contractors' resources. The only reason this work was not refused by the city agencies was their full administrative and financial dependence on the competition's sponsor, the Labor and Social

Table 5.1 Parents' Responses to Why They Participated in the Program (percent)

Reasons for participating	*Kirovchanka (NGO)*	*Ordzhonikidzevsky Center*	*Leninsky Center*	*Average*
It was immediately evident that my child and I will benefit from the program.	55.0	71.4	33.3	51.9
I did not understand how exactly the program may help my child and me but decided not to miss the opportunity of getting some kind of assistance.	35.0	14.3	27.8	26.9
I did not understand how exactly this program may help my child and me, but I had faith in the service provider and believed that any service would be beneficial.	10.0	0	5.6	5.8
Other	0	14.3	33.3	15.4

Source: Data gathered by the Urban Institute and the Institute for Urban Economics.
Note: Differences among contractors are significant at the 0.06 level.

Protection Committee, and the enthusiasm of Kirovchanka's staff, who did the work almost completely on a voluntary basis.

So responses to the first two evaluation questions are negative. The fact that the Committee on Labor and Social Protection defined the wrong services in the contract negated its good work in clearly and specifically defining the services to be provided. Obviously, greater consultation with stakeholders will be essential in the future. The unrealistic cost estimates probably stem from the way local government budgets are structured. Labor costs of city workers are in a single line item, as are office services, and are not further allocated to committees or programs. It seems likely that in this case only the budget (line item) costs of a similar program were identified and used as the cost basis.

QUALITY OF SERVICES DELIVERED

Clients' parents had high expectations for the program's effects on their children, as indicated in table 5.2. About half of clients' parents for children served by both Kirovchanka and the Leninsky Center expected significant improvements in their ability to care for their children and in their children's abilities. It is unclear why the expectations were sharply lower for the other provider. Note that the expectation that they would be able to leave their children under the care of specialists (last row in the table) was not consistent with the services ordered in the contract. And, in fact, most parents very badly want day care for their children.

The parents' survey asked three kinds of questions about their experience with the services offered by the program that we will review here. The first asked about the usefulness of each of three program components. On the average, from 65 to 75 percent of parents found the services in each of the three components useful, though there is large variation among contractors, particularly with the seminars for parents

Table 5.2 Parents' Expectations about Program Results (percent)

Parents' expectations	*Kirovchanka (NGO)*	*Ordzhonikidzevsky Center*	*Leninsky Center*	*Average*
I expected to acquire new knowledge and skills in child care and bringing up my child.	60	25	63	45.5
I expected my child to be taught to be more self-sufficient.	60	25	50	50.0
I expected that my child will be able to communicate with other people and children better.	50	50	50	50.0
I expected to be able to leave my child in a safe place with qualified specialists who will look after him/her while I am working (cleaning the house, or other).	50	25	50	45.5

Source: Data gathered by the Urban Institute and the Institute for Urban Economics.

Table 5.3 Parents' Interest in Various Program Components (percent)

Program component	*Kirovchanka (NGO)*	*Ordzhonikidzevsky Center*	*Leninsky Center*	*Average*
A course of training seminars on everyday care for parents of children/teenagers with children's palsy				
Strongly needed	89.5	42.9	56.3	65.3
Useful, but not vital	10.5	21.4	0	10.2
Not necessary	0	35.7	6.3	12.2
Other	0	0	37.5	12.2
A self-care training course				
Strongly needed	84.2	85.7	50.0	75.6
Useful, but not vital	10.5	14.3	0	8.9
Not necessary	5.3	0	8.3	4.4
Other	0	0	41.7	11.1
A psychology training and consultation course				
Strongly needed	85.0	64.3	76.9	76.6
Useful, but not vital	10.0	28.6	0	12.8
Not necessary	5.0	7.1	0	4.3
Other	0	0	6.4	6.4

Source: Data gathered by the Urban Institute and the Institute for Urban Economics.
Note: For all three questions differences among contractors are significant at the 0.03 level or higher.

(table 5.3). Between Kirovchanka and the Ordzhonikidzevsky Center, Kirovchanka parents were more often convinced of the usefulness of the services provided. Note that the majority of responses of the clients of the Leninsky Center found in the "other" section described cases when the clients did not actually need the service (for example, "my child is already receiving adequate psychological counseling at school").

The second line of questioning was directed to the parents' experience with their contractor. They were asked to rate the staff's level of professionalism, the establishment of a delivery schedule and the contractor's adherence to it, whether the parent received a written list of services, and possible problems with transportation services that brought children to the centers. The responses in table 5.4 display two broad results. The Leninsky Center performed worse than the other two contractors, and Kirovchanka and the Ordzhonikidzevsky Center were given high ratings in four out of five areas. One administrative action, providing a

Table 5.4 Parents' Rating of Contractor Performance (percent)

	Kirovchanka (NGO)	*Ordzhonikidzevsky Center*	*Leninsky Center*	*Average*
1. How do you estimate the professionalism of the contractor's staff?				
The specialists were very professional and generated trust	100	100	43	80
I had doubts about the professional qualification of the specialists	0	0	0	0
Other	0	0	57	20
2. Did the contractor establish some kind of a service delivery schedule?				
Yes	100	100	0	65
No	0	0	100	35
3. Did the contractor comply with the established service delivery schedule?				
Yes	100	100	0	65
No	0	0	100	35
4. Did the contractor provide you with a written list of services you may obtain under the program?[a]				
Yes	80	75	25	59
No	20	25	75	41
5. Did you experience any problems with getting your child to the service office and back whenever necessary?[a]				
No	20	25	0	15
Were there any transportation delays?	0	25	0	5
Were there any cases when lack of transport prevented your child from obtaining the service?	0	0	0	0
Other	80	50	100	80

Source: Data gathered by the Urban Institute and the Institute for Urban Economics.

Note: Differences among contractors are significant at the 0.05 level or higher for the first four questions.

a. Questions 4 and 5 refer to services that contractors were required to provide.

written list of services to be delivered, was specifically required in the contract. So ratings less than 100 percent indicate that the contractor was not fully responsive. Nevertheless, it is worth noting the clear improvement in these two contractors' overall performance compared with contractors generally in the first round of competitions in Perm, indicating that progress was being made.

All three contractors had problems with providing reliable, timely transportation to the centers for the children. The reasons for this vary but stem from the underestimated budget for the contracts. Kirovchanka was unable to make up the shortfall in this area with volunteer labor. The Ordzhonikidzevsky Center had to bring its clients from another large district to its center, which consistently proved challenging given the resources available. For the Leninsky Center the problem was simply part of the larger pattern.

The third line of questioning asked about changes in the child's condition as a result of each of the three program components and about the parent's satisfaction with each component. The responses to the questions about positive changes in the child's conditions were in a simple yes/no format. The first two columns in table 5.5 record the parents' responses for Kirovchanka and the Ordzhonikidzevsky Center—they are quite positive, with Kirovchanka enjoying a clear advantage, although the differences are not statistically significant.[4] Similarly, the parents expressed high satisfaction with all three program components in terms of the way services were provided, again with Kirovchanka rated somewhat higher. These differences are statistically significant.

The final column of table 5.5 presents similar ratings by parents whose children received services from a municipal agency, the Industrialny Center, that operated a similar program without a contract and the accompanying monitoring. The evaluation team noted that the center has unusually strong internal management system in place, particularly its case management system. So the center should be taken to represent a generally well-performing organization in this comparison. The results for the center compared with those for the contractors are mixed. The Industrialny Center received very strong ratings, higher than for the contractors, for the effectiveness of the services in promoting positive changes on the children. On the other hand, parents consistently expressed a lower level of satisfaction with the way services were provided. The reason for the inconsistency in these two findings (and the

Table 5.5 Parents' Rating of Program Effects and Satisfaction, by Program Component (percent)

	Kirovchanka (NGO)	*Ordzhonikidzevsky Center*	*Industrialny Center*
1. Have any positive changes occurred in your or your child's condition as a result of the program?			
A course of training seminars on everyday care for parents of children/teenagers with children's palsy			
Yes	85.7	54.5	100.0
A self-care training course			
Yes	71.4	64.3	100.0
A psychology training and consultation course			
Yes	64.7	57.1	83.3
2. Are you satisfied with how the services were provided to you and your child?			
A course of training seminars on everyday care for parents of children/teenagers with children's pals			
Very satisfied	88.2	80.0	71.4
Satisfied, but have comments	11.8	20.0	28.6
Not satisfied	0	0	0
A self-care training course			
Very satisfied	100.0	78.6	66.7
Satisfied, but have comments	0	14.3	22.2
Not satisfied	0	7.1	11.1
A psychology training and consultation course			
Very satisfied	80.0	69.2	85.7
Satisfied, but have comments	20.0	15.4	0
Not satisfied	0	5.1	14.2

Source: Data gathered by the Urban Institute and the Institute for Urban Economics.

Notes: Industrialny Center is included to provide a comparison of the quality of the social services provided under competitive contracts and at the expense of current budget financing of municipal social agencies. There are no statistical differences between Kirovchanka and Ordzhonikidzevsky contractors for these questions.

Center's stronger performance than the two contractors in improving the children's conditions) is probably that the Center had been working with the children for a much longer time than the two contractors.

Overall, the results based on parent interviews indicate that the two contractors that willingly participated performed well. Program contractors expressed the view that contracts for social services promote better quality and results, primarily because they obligate service providers to comply with the required conditions and orient them toward achieving results. This opinion was even shared by the staff of the Leninsky Center. Contractors also praised the condition that the customer posed no requirements on how contract funds were to be used, which allowed them to operate in a more flexible, timely, and efficient manner. One example was Kirovchanka using funds to install a phone so that it could reach clients efficiently.

Other service providers that did not participate in the program (the Industrialny Center, the Kirovsky Center, and the Association of Persons with Locomotive Disability) agreed with the position of the program contractors. The Association of Persons with Locomotive Disability was the winner of the pilot competition for social services to disabled children held in 2001. In the opinion of the Association, the 2002 competition and program benefited from the orientation toward service quality and results and the lack of restraints on financial management.

CONCLUSIONS

Two types of conclusions can be drawn from the experience just analyzed—those specific to this competition and those for the broader development of NGOs serving as contracted service providers. For this competition, the evaluation team had four specific recommendations:

- City agencies need to have a more comprehensive and inclusive approach to determining the services that will be provided to the population.
- City officials should not pressure municipal organizations into competing for contracts because such agencies will very likely perform badly.
- Agencies designing competitions must employ a more comprehensive concept of the costs of service delivery when determining the price to be paid for services.

- To improve performance overall, improve the training for city agencies in conducting competitions and for municipal agencies and NGOs as service deliverers.

This competition generated several conclusions for the general development of the competitive selection of NGOs and municipal agencies to deliver social services for local governments. The competition revealed a steep learning curve for the city of Perm, particularly for the Committee for Labor and Social Policy. The competition was in fact for contracted services and not grants disguised as nominal contracts. The services to be delivered were well specified. Contractors were given full latitude in using the funds—the contract orientation was definitely on outcomes. The competition itself was much more professionally organized and managed than in the first round.

During the service delivery phase, three highly significant developments were observed. First, the two contractors that voluntarily participated in the competition performed their service delivery tasks much better than the contractors in the first round. This result is presumably related to the second development: Monitoring of contractor behavior was much stronger and it was made clear in the contract itself that such monitoring would take place. Third, the NGO contractor performed as least as well as, and in some respects better than, the city agency contractor. Concerns that NGOs cannot carry out well-defined service delivery tasks on a set schedule should thus be laid to rest.

NOTES

1. The interviews reported on in chapter 3 were undertaken to develop a more thorough understanding of NGO capacity. Guidelines were prepared based on these interviews. See Corvington (2002).

2. For more details see "Informational Letter of a Municipal Procurement Competition for the Social Rehabilitation Program for Children and Teenagers with Children's Palsy in Dzerzhinsky, Kirovsky, Motovilikhinsky, and Sverdlovsky districts of Perm," issued by the Perm Committee on Labor and Social Protection, 2002.

3. The Leninsky Center applied for and was granted a contract for delivering the program services in two districts (Dzerzhinsky and Sverdlovsky). As a result, it had to service twice as many clients as other contractors (40 instead of 20).

4. Most parents with children served by the Leninsky Center did not answer these questions.

Raymond J. Struyk

6 Conclusions and Lessons

Introducing local governments to the practice of contracting with NGOs for the delivery of social services is more challenging than one might have expected. Below we explore more carefully why this has been the case in Russia and, apparently, elsewhere. We then turn to what NGOs and local governments can do to accelerate acceptance of contracting.

WHY HAS CONTRACTING OUT BEEN SO POORLY ACCEPTED?

At least six reasons for the poor acceptance of contracting can be enumerated, beyond the extent of the development of functioning liberal democracy and existing legal impediments in a few places.

Local governments think NGOs are not ready. Local governments may view NGOs providing social services as too small and too inexperienced to take on the responsibilities of contracts. There are two dimensions here. First, NGOs may lack the capacity to deal with cumbersome reporting and tax administration tasks that come with contracts. Second, staff may lack specific qualifications required to deliver some types of services. This explanation is consistent with local governments' preference for grants over contracts in supporting NGOs. It is also consistent with certain behavior by local governments. Our team found Russian

local governments required NGOs to obtain licenses and their staff to have certain minimum credentials to deliver services if they were to have a contract with the locality; but the same NGOs did not need these certifications as grantees to deliver the same services. In other words, grantees' activities were viewed as supplemental to the "more demanding" tasks undertaken by city social assistance agencies for which explicit qualifications were required.

It is doubtlessly true that many—perhaps most—NGOs are not ready to fully execute contracts for social service delivery with local governments. Many lack the necessary organizational skills, management capacity, and staff training. But certainly some are capable of doing so. And as argued earlier, donor-sponsored training could be instrumental in making up deficits at a significant share of the others.

NGOs may not be interested. Staff from the Institute for Urban Economics and the Urban Institute in Russia tracked the experience of several other competitions held after the first round of competitions reported in chapter 4. Table 6.1 provides an overview of the results of the competitions in four cities. The fourth column shows the number of NGOs that were expected to participate in the competition. These organizations were judged to have the capacity to successfully execute the contract and had shown active interest in competing. In Birobidzhan only one NGO was in this class, primarily a result of the low level of NGO development in this small city. Most striking in the table is that only one NGO in each of two of the three larger cities actually competed. When inquiries were made, three responses were given.

First, NGOs view the reporting requirements for contractors as burdensome; they were also unenthusiastic about the active monitoring of their activities by a local government agency. Second, in Perm the NGO that won the competition did not expand its operations and increase its caseload, but rather substituted the clients served under the contract for previous clients. The potential problem of NGOs expanding their delivery capacity when they won a competition was clear from the start, and it may have been underestimated. Without expansion, one can readily imagine internal debates at the NGO about whether it was abandoning its true mission by dropping former clients.

Finally, NGOs have access to easier money. Local governments run grant programs for NGOs where the application process is less demanding and the use of the funds is essentially not monitored. One case illustrates this phenomenon, although we cannot assert it is representative.

Table 6.1 Results of Selected Competitions, 2002–03

City	*Services purchased*	*Date winners selected*	*Number of NGOs anticipated to participate in city competition (estimate)*	*Number of proposals received by city: (NGOs/municipal entities)*	*Winners of competition: (NGOs/municipal entities)*
Perm	Rehabilitation services for children with cerebral palsy	March 19, 2002	4	1/4	1/2
Birobidzhan	Summer camp program for potentially delinquent boys	June 16, 2003	1	1/0	1/0
Magadan	Jobs program for teenagers who have dropped out of school	January 24, 2003	3	1/2	0/1
Kirov	1. Summer camp and labor program for delinquent teenagers. 2. Summer camp and labor program for developmentally disabled teenagers.	April 30, 2003	8	5/7	4/7

Source: Institute for Urban Economics.

In Perm in 2002, the oil giant Yukos joined the city in its annual grant competition for social service NGOs. While proposals were scored together, in the end Yukos did not want to commingle its funds with the city's. So separate awards were made. NGOs receiving Yukos grants were unhappy because they knew that Yukos would monitor how the funds were used.

The way local governments fund contracts with NGOs is also a problem. The provisions of the Budget Code disallow contracts that extend beyond a single fiscal year, except for certain critical services. Therefore, competitions have to be reheld annually, and by the time the awards are made the term is often a mere six or seven months. Such discontinuities obviously discourage NGOs from competing. Similarly, the extra workload created for the contracting agencies by this provision is substantial.

Legal systems are weak. Nonprofits may be realistically concerned about being an inferior position in contract disputes with local governments, in part owing to weak judicial systems. Local governments in the CIS countries often pay bills very late, for example. Given the high incidence of double-digit inflation among these countries, the delays are especially damaging to cost recovery. NGOs may also have concerns about their ability to defend themselves against allegations of poor performance, even when such allegations are not well documented.

Local governments are not convinced about the "new public management." The advantages of more efficient public management—including contracting out—have not spread widely. Some local officials have also expressed that while it may make sense to contract with private entities for building maintenance and garbage removal, working with mentally handicapped teenagers, counseling war veterans, and assisting stay-at-home frail elderly should be provided by the professionals at city agencies. City agencies may believe that well-qualified workers are simply not available at wages comparable to those they receive. And they may find it hard to believe that their own delivery inefficiencies are so great that NGOs can pay higher salaries and still fulfill all the service delivery requirements.

Local government agencies do not want the competition. Resistance from public agencies currently delivering social services is to be expected when contracting out is proposed, as staff will likely be displaced; managers worry about losing control and status. This resistance combined with possible reservations by a city's leadership about the gains from contracting is a powerful force in blocking pilot projects. One indicator

supporting this notion is that in Hungary contracts are usually let for duties new to local governments—e.g., because of newly mandated tasks (for instance, local governments are now obliged to have child welfare services)—and not to displace a municipal provider.

Local governments are not ready. Earlier I mentioned four conditions necessary for successful contracting out: reliable program funding (without which contractors may not be paid and accountability may not be possible); a well-drawn, enforceable contract; a fair and open competitive process; and an established monitoring system so contractors can be held accountable for their work. Where little or no contracting has been used to date, local governments may sense that they do not have the necessary skills to create these conditions, nor have easy access to model documents and guidelines that they could use if they wanted to take the initiative. Indeed, the pilot competitions as well as other experience show that Russian local governments do a poor job of monitoring contractor performance even when coached to be rigorous. Local government agencies may not want the extra burden of monitoring contractor performance—and they may wish to delay the introduction of stronger monitoring of their own service delivery performance as long as possible.

WHAT CAN BE DONE TO ENCOURAGE CONTRACTING OUT FOR SOCIAL SERVICES DELIVERY?

To some extent one can anticipate more contracting out for social services to occur in the natural course of events as liberal democracy continues to develop in Russia and elsewhere in the region. However, complete reliance on "natural development" for progress in this area seems unwise given the substantial impediments to such development we have documented in Russia and the potential role that contracting out can play in making service providers more responsive to clients. Action items are outlined below for three actors: local governments, regional or oblast governments, and the donor community.

Local governments. Local governments can take a series of actions to make contracting out more attractive to NGOs and even their own agencies:

- Pay contractors promptly.

- Contract for services for which there is a genuine need in the community; use broader consultations with stakeholders to identify such services.
- Draw up effective and fair contracts: include a clear and precise definition of the services to be provided; focus on results; and permit contractors to spend the funds provided as they see fit.
- Monitor contractor performance consistently and fairly.
- Contract for services for an extended period of time—2 or 3 years.[1]

Adherence to these principles would over time encourage more organizations to compete for such contracts.

Regional or oblast governments. The Committees on Labor and Social Protection, or their equivalents, at the regional level can also foster contracting out in numerous ways. First, they can increase the quality of program monitoring in general, regardless of the service provider. This monitoring would have two effects: municipal agencies would lose their "protected status" as largely free from program monitoring, and, by signaling a policy of increased monitoring, monitoring itself would improve. Training programs in program monitoring could be established to improve professionalism and emphasize the committee's interest in seeing monitoring systems implemented.

Second, the regional committees could give training to local governments in contracting out, such as the key points in drawing a good contract, holding competitions, and monitoring performance. Third, they could work to improve program management generally, which would increase professionalism and likely increase the acceptance of contracting out and other management innovations.

Finally, the evidence reviewed here makes clear that there is a large scope for improvement in service delivery by both municipal agencies and NGOs. Again, regional governments are in the perfect position to conduct such training courses, because they can amortize the cost of developing them over many offerings and because they can compel local agencies to participate in the training. Municipalities, in turn, could press NGOs to participate.

The donor community. There appears to be a natural role for the donor community in promoting contracting out—in terms of both increasing the quality of governance and developing a sustainable funding base for an important part of the NGO community. The expansion of assistance beyond policy or advocacy NGOs to service delivery NGOs

was recently recommended by Ottaway and Carothers (2000, 309) on the basis of their extensive analysis of donor assistance to NGOs in the 1990s. Donors could promote contracting out by local governments by helping prepare NGOs to compete for contracts and deliver services and by assisting local governments to run competitions, prepare fair and serviceable contracts, and monitor contractor performance. They might be particularly effective in developing training programs with regional governments and offering them in a pilot region. This experience, in turn, could be rolled out to other regions.

While limited pilot projects are under way in a few countries, much more could be done to encourage this vehicle of good government and to create opportunities for sustaining service-providing NGOs. According to the evidence presented here, competitively selected NGOs perform at least as well as service providers as municipal agencies. Moreover, general service quality levels over time should improve as a result of competition among providers.

NOTE

1. In Russia contract timespans are not under the control of local governments but rather are specified in the Budget Code of the Russian Federation.

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