Arrangements for the Transfer of Social-Services Delivery to Non-Governmental Providers (Regional Practices, Russia)

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Abstract

The study focuses on the Russian practice of institutionalizing non-governmental social-service providers. The paper discusses the arrangements for the transfer of governmental social services under the terms of budget financing to commercial and non-profit organizations. The authors proceed from the fact that although there are uniform institutional conditions for the formation of the non-governmental sector in the field of social services, established by the federal center, most of the rules and procedures which determine the implementation of this process are defined on the level of the constituent subjects of the Russian Federation. The paper explores the practices of three regions: Perm, the Republic of Bashkortostan and Khanty-Mansiysk Autonomous Okrug-Ugra. These regions are recognized as the leaders in the process of diversification of social services. The analysis made it possible to identify the general and the particular in the regional processes of the transfer of social services to the non-governmental sector.

Keywords:

public services, social services, non-governmental social-service providers, non-profit organizations, NPOs, social-service subsidies, public procurement of social services

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1. Introduction

Increasing requirements for the quality of public services delivered to the citizens and lack of resources has made it necessary for the Russian Government to involve commercial and non-profit organizations (NPOs) in the delivery of social services on budgetary terms. In 2016 the Government of the Russian Federation assigned the tasks reflecting the new approach to social management to the regional governments: to increase the share of non-governmental organizations in the total number of organizations delivering services in various sectors of the social sphere; to transfer at least 10 % of the budget funds allocated for the implementation of governmental social programs to non-profit organizations by 2020. Addressing these challenges paves the way for setting up a mixed system of production of public goods in the main branches of the social sphere: social services for the population, pre-school and continuing education, healthcare, sports and culture. The changes in the Russian practice of social-sector management that have been observed since 2016 are consistent with the logic of the administrative concepts that define the outlines of administrative reforms in different countries – New Public Management (NPM) and Good Governance (GG). In particular, competitive and contractual arrangements, monitoring the quality of services and performance evaluation (NPM) are being introduced into the organization of social services; networking of government and governmental organizations with non-profit organizations, intersectoral partnership arrangements and interactive communication (GG).

Although the increased role of non-governmental organizations in the delivery of services usually provided by the governmental organizations reflects the current course of social development, it does not presuppose the unification of this process in different countries and even regions within one country. As was already mentioned, the role of the public and private sectors in the production of services is dependent on the “prevailing political system and history of each country” (Jett and Shick 2018, 30). It is also necessary to take into account the current social situation in a given country, the presence of a set of institutional conditions, including the potential of non-governmental organizations ready to deliver high-quality public services transferred by the state. In this regard it is worth it to analyze the Russian practice of transferring services to non-governmental suppliers in one of the most “nationalized” segments of the social sphere – social services to the population. Besides, this practice will vary significantly in different regions of the country, given its federal structure, the peculiarities of the institutional conditions prevailing in each constituent entity of the Federation, and approaches to reforming the sphere of social services implemented by its governments.

The goal of the paper is to study the arrangements for transferring the delivery of public social services³ to non-governmental organizations, as well as analyzing the problems that are generated by this practice. The main focus is on the assessment of the used arrangements of budget financing of new providers of social services. The study is based on three regional cases: the Perm region, the Republic of Bashkortostan and Khanty-Mansiysk Autonomous Okrug-Ugra. The analysis makes it possible to identify the general and the particular in the regional processes of the transfer of services delivery to the non-governmental sector.

2. Theoretical grounds of the problem consideration

The relevance of involving non-governmental organizations and, above all, non-profit ones, in the production of public services finds a conceptual justification from the well-known theories about market failures and government failures (Krueger 1990, Winston 2006, Weisbrod 1988). The importance of NPOs for the social sector is that they are able to meet the needs of citizens that are either not identified or not sufficiently satisfied through government and market institutions. Moreover, restrictions on the distribution of profits are perceived by consumers as a guarantee of the reliability of NPOs as a service provider (Hansmann 1987). Finally, the emerging trusting relationships with consumers of services, combined with the social motivation of employees, make up the quality of services provided by non-profit organizations.

In co-production and co-creation theories (Ostrom 1996, Osborne et al. 2016; Pestoff 2012; Pestoff et al. 2012; Merickova et al. 2016) citizen engagement (individually or collectively) in activities aimed at achieving social results allows to increase the volume and quality of public services; achieve equality in the consumption of public services and customer satisfaction (Svidroňová 2018, 82, 87, 92). At the same time, partnerships in the production of public services can not only increase the efficiency of this process but also have a positive effect on the democratic nature and the accountability of service delivery as such (Susskind and Elliot 1983, 300; De Vries and Nemec 2018, 16).

At the same time, there are “areas of weakness” (Anheier 2005) in the non-profit sector itself, which may lead to “voluntary failure” (Salamon 1987). They were well observed in the studies of Salamon and his colleagues (Salamon 1987, Salamon and Toepler 2015, Anheier 2005): philanthropic insufficiency (inadequacy of owned and attracted resources), philanthropic particularism (focusing on particular client groups and geographical limiting), philanthropic paternalism (influence of do-

3 Social service is an action in the sphere of social care, providing various types of assistance to the citizens who find themselves in a difficult life situation and who are not able to solve their problems on their own; aimed at improving their living conditions and integrating them into social relations.

nors' interests on the mission and perceiving the contribution to the organization as entitlement, not as a right), philanthropic amateurism (problems with attracting professional workers). These "areas of weakness", common to the nonprofit sector, limit its perspectives as providers of public services. Therefore, intersectoral cooperation should include not just the transfer of services to the non-profit sector, but also various forms of financial and non-financial support in order to develop the resource potential of third-sector organizations. Without minimizing the areas of "philanthropic failures", there are risks of problems with the provision of state-guaranteed quality of services and the stability of their provision (Kitchen 2005, 138, Suslova 2014, 76).

The experience gained from different countries shows that the transfer of social services to the non-governmental sector on the terms of a contract creates other problems. As was shown in the overview of studies on this issue by De Vries and Nemec (2018, 14–15), there may be moral risks or reputational losses for government agencies caused by choosing a partner who does not fulfill its obligations; the risk of growth in transaction costs as a result of changes in production and management systems (processing of applications, building a system for monitoring the implementation of contracts, etc.); the risk of lack of competition in the market due to the limited number of potential suppliers.

The transfer of social services to the non-governmental sector in the Russian regions also should be structured, taking into account both the prospects provided by intersectoral partnership in social services, and possible risks.

3. The main Public policy directions in the field of social services

Unlike most sectors of the social sphere (continuing, pre-school and vocational education, health care and culture), where the non-governmental service sector began to actively form as early as the 1990s, until recently social services remained an almost exclusive monopoly of governmental organizations. Although it is the NPOs that introduced many social services that were new to Russia (for example, crisis centers for women – victims of domestic violence; shelters for homeless citizens), their socially-oriented activities were considered an addition to governmental social services.

The issue of delegating the right to the private sector to deliver social services on the terms of budget financing has been raised by the Russian Government since

the early 2000s.⁴ At the same time, competitive mechanisms for the selection of social-service providers for the execution of a state (municipal) order were tested in a number of regions. For example, in 2002, for the first time, a tender was held in Perm for the execution of a municipal order for the social rehabilitation of children with disabilities.

In the following years, similar trades regarding certain social services were held in several regions of the country. Along with governmental organizations, eleven NPOs and one individual entrepreneur took part in them (CHagin 2006). This was facilitated by the adoption of the Federal Law on the placement of orders for the delivery of services for state and municipal needs in 2005. But the practice of attracting non-governmental providers for the execution of the state (municipal) order at that time did not become systematic both because of the lack of a competitive private sector in the field of social services and the imperfect legal regulation of the delivery of public services in the social sphere by non-governmental organizations.

The Federal Law No 442 “On the Principles of Social Services for Citizens in the Russian Federation”, adopted in 2013, secured the opportunity for non-governmental organizations and individual entrepreneurs to provide social services on the legal level. In the same year, a new federal law on public procurement was adopted⁵, which expanded the list of competitive methods for determining service providers.

The formation of the non-governmental sector in the field of social services in the regions is subject to management and monitoring by the federal center. As was previously noted, the federal government has set the task for regional governments to increase the share of non-governmental organizations in the total number of organizations providing social services by at least 10 %, and gradually transfer at least 10 % of budget funds allocated for the implementation of state social programs to NPOs by 2020. In order to timely solve these problems, in September 2016, the Ministry of Economic Development and the Ministry of Labor and Social Protection recommended the government of the Federation’s subjects to reduce the maximum period for reimbursement of funds spent on social services to providers to one month. In some regions, this period reached 6 months, which negatively affected the economic stability of non-governmental service providers, primarily non-profit organizations. But more acute for non-profit organizations is the problem of provision of premises for activities. The arrangements of property support for NPOs provided by the federal government in the form of granting premises for

4 In particular, the Socio-Economic Development Program of the Russian Federation for 2002–2004 included the development of the market and the quality of delivered social services as one of the goals of the state policy for population welfare. In 2002, the Ministry of Labor and Social Development of the Russian Federation became the customer of a study on the development of social services with the participation of the non-state sector in the field of social services for families and children, conducted by the Russian Fund for Social Reforms.

5 Federal Law No 44-FL “On the contract system in the field of procurement of goods, works, services for state and municipal needs”.

free use or for rent on preferential terms in many regions was not involved. Questions among NPO activists are caused by the lack of transparency in the procedure for transferring property and the lack of open registers of premises provided on preferential terms or put up for the competition. As a response to the request of NPOs, the Government of the RF (2017) instructed regional governments to create registers of unused premises with a view to transferring them to NPOs.

It should be noted that the federal center defines only the general institutional conditions for transferring governmental social services to the non-governmental sector for execution. But most of the rules and procedures on which the substantive content of this process depends are set at the level of the constituent subjects of the RF: regional lists of social services financed from the budget; financing standards per capita and tariffs for services; requirements for inclusion in the registers of service providers⁶ and for participation in tenders for state funding; quality indicators and performance measures. As a matter of fact, the regions are independent in choosing the arrangements for achieving the benchmarks set by the federal center for the formation of a non-governmental social-service sector. This determined the variability of this process observed in the Russian regions.

4. Methods

The next part of the article presents the results of a study of the practice of transferring social services to the private sector in three Russian regions – the Perm region, the Republic of Bashkortostan and Khanty-Mansiysk Autonomous Okrug-Ugra. In the study of regional cases, we were interested in the following questions: what arrangement of budget-financing of new providers is chosen by the regional governments; to what extent is this arrangement adapted to the institutional peculiarities of different types of non-governmental providers; what types of social services are transferred to the private sector for execution.

The choice of these subjects of the Russian Federation is not accidental. It is these regions that have demonstrated significant efficiency in the implementation of the Federal Law No 442 with regard to the transfer of services to the private sector. In particular, our analysis of the information posted on the official websites of the two Federal Ministries (Ministry of Economic Development, Ministry of Labor and Social Protection), information of federal officials in the mass media, analytical materials of the Agency for Social Information (an authoritative expert organization of

6 Inclusion in the register gives the right for non-state suppliers to provide services to citizens according to individual programs and receive compensation from the budget for expenses incurred. For the organization, entering the register means the following: availability of conditions for the provision of social services; commitment to follow specified standards; agreement with the expansion of state and public control over the activities. It is believed that the entry in the register of social-service providers is the Russian equivalent of the state certification system (Mersyanova and Benevolenskij 2017, 96).

the non-profit sector of Russia), as well as regional registers of social-service providers, conducted at the first stage of the study, allowed us to conclude that a year later, since the beginning of the implementation of the Federal Law No 442, these regions have become leaders in the number of non-governmental organizations involved in providing social services to citizens (more than 30 non-governmental service providers in each regional register, which exceeds the average in Russia by several times). As follows from the information of the Ministry of Labor, it is in these regions that different technologies of transferring services to the non-governmental sector were successfully tested, and their experience was recommended for replication in other subjects of the Russian Federation.

At the stage of direct research of regional cases, the authors of the paper used quantitative and qualitative assessment of empirical information contained in reports and other documents posted on the official websites of the governments of the subjects of the Russian Federation, Federal Ministries, the Unified Information System in the public procurement.⁷ Besides that, the regional normative acts regulating the sphere of providing social services to the population were analyzed, as well as the opinion of experts reflected in the scientific publications or revealed by the authors in the process of discussing the issues of interest with the expert community and representatives of regional governments at scientific and practical conferences.

5. Regional practices of the transfer of social-services delivery to non-governmental providers

5.1 Perm region case

The Perm region became the first Russian region to begin the transition to a mixed system for the provision of social services using competitive supplier-selection arrangements before the introduction of a federal law on the fundamentals of social services for citizens. As noted above, the region has become a “pioneer” in organizing public procurement of social services (social care at home for senior citizens and children with disabilities). Later in this segment of social services, the technology of social vouchers, which was new for Russian practice, was also tested (CHagin 2010, 304).

The experience gained by the Perm region is also interesting because it reveals the algorithm of necessary management actions that must precede the delegation of social services to the non-governmental sector: analyzing the resource potential of possible non-governmental service providers; identifying the range of services where the activities of non-governmental suppliers are more efficient; analyzing the possibilities of applying the statutory arrangements for budget financing of services

7 Protocols of the public procurement of social services for 2017 in the Perm region and the Khanty-Mansiysk Autonomous Okrug were analyzed. In the Republic of Bashkortostan in 2017, the procurement of social services was not carried out.

to various types of suppliers (governmental assignment, subsidies, procurement, certificates⁸); calculating the standards per capita and tariffs, developing the regional regulatory legal support for the provision of financing to service providers.

The development of the non-governmental sector of service providers cannot be studied ignoring the overall changes that occurred in the regional system of social services. Thus, the focus on the development of the range of rehabilitation services and services delivered to citizens at home has actualized the demand for the activities of non-governmental organizations. It should also be noted that the adoption of social service standards in the region ensured the uniformity of requirements for service providers, regardless of their legal form, and provided the regional government with tools to monitor the performance of services. Finally, the transition to the contractual relationship between the customer and the service provider, built around the quantitative and qualitative parameters of the performance of the service, also meant a change in the approach to managing the social services received by budgetary organizations. The main question is not how the service provider spent the money, but instead – “do they do what they were asked to do for that money” (CHagin 2006, 8), that is, the result of the service.

The public-procurement arrangements stimulated the emergence of new social-service providers. In 2007 two non-governmental organizations were involved in the provision of public services, and two years later there were already 13. In addition, in 2009–2012, certain non-core services were transferred to the private sector on outsourcing conditions: catering services, maintenance of stationary organizations, cleaning services and security services.

Procurement remained the main arrangements for attracting non-governmental organizations to the sphere of social services even after coming into force in 2014 of the Federal Law No 44 on the contractual system in the sphere of procurement of services for governmental and municipal needs. For example, the amount of financial resources distributed among service providers through procurement in 2016 accounted for 56 % of all budget expenditures for social services, while the amount of subsidies (the most common arrangement in many regions for budget financing of non-governmental social service providers) was only 0.6 %.⁹

Prospects for the development of social services in the region are linked to the expansion of the use of the arrangement of payment for the delivery of services to the provider through certificates. This technology of budget financing was introduced in 2011 in the field of rehabilitation of psychoactive-substances users, and in 2012 – for the rehabilitation of children with disabilities. In 2017, when delivering services to citizens with disabilities in day care 10 types of certificates with different sets of services were already used.

8 In Russian practice, vouchers are considered a personalized subsidy. In regulatory legal acts, this subsidy is defined as a “certificate”.

9 nko.economy.gov.ru/Files/.../e0bb9dec-e076-4f32-a3f9-ed70978ba357.pptx

At the federal level, the social-service restructuring model implemented in the Perm region was recognized as economically and socially effective and was recommended for adopting in other regions of the country. However, it reveals a number of problematic points. As is evident from the regional register of social-service providers, the commercial sector has adapted more to the opportunity to deliver public social services, rather than the non-profit sector. In 2018, 12 non-profit organizations, 24 commercial organizations, one individual entrepreneur and 39 governmental organizations were included in the registry.¹⁰

The philanthropic “failures” of the third sector and, above all, the lack of its own economic resources for the launch of large-scale services make NPOs vulnerable in situations where the customer represented by the government provides budget funding upon the delivery of services (compensation of costs for delivery of services, certificates). The procedures used to organize the procurement of social services (the need for a security deposit for participants, obtaining bank guarantees) also do not match the financial capacity of NPOs. In this regard, the orientation of non-profit organizations towards obtaining traditional grant support for project activities is understandable, since it does not require obtaining the status of a social-service provider and, as a result, does not imply additional forms of monitoring performance.

After 2016, there has been a decline in the practice of procurement of social services, as well as a lower interest in this procedure, not only from NPOs, but also from commercial organizations. The data presented in Table 1 indicate the absence of competition in organizing the procurement of social services in 2017: applications were received from the sole service providers, or were not submitted at all.

NPOs in general restrained from participation in procurement, even in cases when the object of procurement was services that did not require significant resource costs from the provider for their delivery (home service). At the same time, a few years ago, the Perm region was leading by the number of procurement procedures held in the field of social services, including with the participation of NPOs. This is confirmed by a study of the development of regional quasi-markets for social services in 2011–2012, conducted by Suslova (2014) in several regions of Russia. During this period, 390 purchases of social services and other related services took place, about a quarter of them involved NPOs. Only 22 % of purchases made with the participation of NPOs were a competition within the non-profit sector. Intersectoral competition was also observed: between governmental and commercial structures for servicing in hospitals of citizens with disabilities; between organizations of all three sectors in relation to day-care services for senior citizens, socio-psychological and socio-legal services to citizens in a difficult life situation (Suslova 2014, 80, 82).

10 <http://minsoc.permkrai.ru/sotsialnoe-obslyuzhivanie/reestr-post/>

Table 1
Public procurement of social services in the Perm Region in 2017

Objects of procurement – types of social services	Procurement methods			Number of procurement participants		
	Number	Planned	Actual	NPOs	Commercial organizations	Governmental organizations
1	2	3	4	5	6	7
Partial inpatient social services	3	Auction	Single-source procurement	No bids	1	2
	2	Auction	Did not take place	No bids	No bids	No bids
Urgent social services	2	Request for quotation/invitation to bid/invitation to tender	Single-source procurement	No bids	2	No bids
	1	Auction	Single-source procurement*	No bids	1	No bids
At home social services	1	Request for quotation/invitation to bid/invitation to tender	Single source procurement	No bids	1	No bids

* For each procurement process an application is submitted from one supplier. The contract is made with the sole supplier that submitted the application.

Source: compiled by the authors, based on the analysis of information from the Unified Information System in the public procurement.

Table 2
The list of social services transferred to non-governmental providers in the Perm region

Personalized financing of services by providing certificates for payment of services	Transfer of part of services through public procurement	Provision of compensation for social services delivered to citizens	Subsidy
Types of transferred services to commercial organizations			
-	Home care for senior citizens, for citizens with disabilities	Home care for senior citizens, for citizens with disabilities, for children with disabilities	-
Social rehabilitation for children with disabilities (day-care services)	Day-care services for people with disabilities and for senior citizens	-	-
Social rehabilitation for people with disabilities (day-care services)	Urgent social service	-	-
Types of transferred services to NPOs			
Social rehabilitation of psychoactive substances (day-care services or temporary residence)	-	Temporary residence for citizens in difficult life situations	Advisory assistance for citizens in difficult life situations
-	-	Urgent social services for citizens in difficult life situations	Socio-psychological assistance for citizens in difficult life situations ("helpline")

Source: compiled by the authors based on the analysis of information from the regional register of social-service providers.

It can be assumed that at present the situation with the diversification of social-service providers in the region has formed. The organizations of the three sectors carry out activities in a certain segment of social services: the state – inpatient and partial inpatient social services (partly); commercial – partial inpatient social services and home services; rehabilitation services for people with disabilities; urgent and non-core services; non-profit – rehabilitation of drug addicts, counseling and provision of temporary shelter to citizens in difficult life situations (Table 2). The regional government chooses “reliable” providers and prefers not to create competition for them. At the same time, this carries the risk of monopolization of certain segments of social services by some non-governmental organizations. For example, at the present time all the services for home care for senior citizens and people with disabilities in the region are provided by the branches of two commercial organizations (“Novoletie” and “Akcept”). Leaving only two service providers, the regional government, apparently, are trying to reduce the administrative costs that arise when working with a large number of service providers, as well as possible reputational losses in case of transfer of services to an unfair contractor. This position of the customer is also traced in the practice of selecting organizations that provide rehabilitation services for certificates. For example, the list of organizations providing rehabilitation services to drug addicts includes 5 NPOs. Rehabilitation services for people with disabilities are currently provided by 20 organizations (governmental and commercial), and their number has decreased by one third compared to 2012.

5.2 The case of the Republic of Bashkortostan

Unlike a number of other regions of the country, where the sector of non-governmental social-service providers is mainly represented by commercial organizations, the Government of the Republic has relied on NPOs. In July 2014 (six months before the law on the basics of social services came into force), the Ministry of Labor and Social Protection of the Population of the Republic of Bashkortostan (hereinafter – the Ministry) approved a pilot project on the organization of social services at home (including social and medical services) by non-profit organizations. These services, as the most demanded by the population and low-cost for NPOs, were the first to be transferred to the non-governmental sector.

Another feature of Bashkortostan is that the process of forming third-sector organizations in social services was carried out under the direct control of the Ministry. When launching the project, the Ministry was suspicious of the NPOs operating in the region, questioning their ability to provide professional social services. It was decided to create non-profit organizations on the basis of operating governmental organizations, transforming the departments of social assistance at home of two governmental organizations into autonomous non-profit organizations (hereinafter – ANPO). The choice of such organizational legal form was for a reason. According to the civil legislation of the Russian Federation, citizens and legal enti-

ties can be the founders of an ANPO, and the governing body, apart from the sole director, is the supervisory board. According to the Ministry's plan, the founders of the ANPO included a representative of the Council of Veterans, a representative of the All-Russian Society of People with Disabilities, a representative of the Council of municipalities of the Republic and the director of the organization being created. Priority areas of the activity of NPOs are determined by the supervisory board, which includes representatives of these governmental organizations.

The relatively short implementation period of the pilot project showed positive results. In 2015, the Government of the Republic decided to extend this experience to the entire regional social-service sector. Created autonomous non-profit organizations were offered the property of the liquidated governmental organizations on preferential terms. In addition, the staff of the industry was retained, which allowed new non-profit organizations to avoid the problem of "philanthropic amateurism".

By reorganizing the industry, the Ministry coordinated the founders and members of the supervisory boards created by the ANPO, developed their charters and other constituent documents. At the same time, with each ANPO, limited liability companies (hereinafter LLC) were established, which are commercial organizations by their legal status. The emergence of new institutions in the field of social services is due to the fact that ANPOs can engage in entrepreneurial activities only through the activities of the LLCs created by them.

The economic activities of the ANPOs and the LLCs established by them are delimited as follows:

- ANPO delivers free services to citizens whose average income per capita is equal to or lower than the limit value of the average income per capita at the expense of a subsidy received from the budget;
- LLC delivers services to citizens whose income is above the marginal value of the average income per capita at tariffs approved by the Ministry, as well as additional services at its own tariffs.

In 2018, there were 64 non-profit organizations and 61 commercial organization in the register of providers of social services in Bashkortostan. There are also 40 governmental organizations¹¹.

The dominant arrangement for transferring social services to NPOs is the competition for the delivery of subsidies from the budget of the population; its size is determined by the number of potential beneficiaries and the rate of per-capita financing. Reimbursement to non-governmental suppliers of costs for the delivery of services (Table 3), as well as public procurement of non-core services for operation, cleaning and security of premises from LLC is partially used.

11 https://asp2.bashkortostan.ru/aspnet/base_index.html

Table 3

The list of social services transferred to non-governmental providers in
Bashkortostan

ANPOs	Commercial organizations
Subsidy	Provision of compensation for social services delivered to citizens
Types of transferred services	
Home care for senior citizens, for citizens with disabilities and for children with disabilities	Home care for senior citizens and for citizens with disabilities
Home care for senior citizens, for citizens with disabilities	Home care for senior citizens, for citizens with disabilities
Socio-psychological assistance for citizens in difficult life situations ("helpline")	Urgent social services of a single character
Urgent social services of a single character	–

Source: compiled by the authors, based on the analysis of information from the regional register of social-service providers.

The “institutional replacement” of service providers implemented in Bashkortostan (Zabolotnaya and Larionov 2017) enabled the regional government to achieve the benchmarks set by the federal center for the diversification of social-service providers. Moreover, the creation of LLCs that provide paid services by non-profit organizations should help their managers to resolve issues with raising staff salaries and maintaining property complexes. At the same time, a question arises: can other NPOs created on the basis of private initiative be able to compete in the distribution of subsidies with the ANPOs created by the initiative of the Ministry? In our opinion, this is extremely difficult to do. It is unlikely that other organizations will be able to offer the best conditions according to the criteria of competitive selection due to their philanthropic insufficiency. At the same time, in many territories of the Republic, ANPOs are the only service providers. On the other hand, the “new NPOs” created under the control of the regional government also have areas of weakness associated with “philanthropic paternalism”.

5.3 Khanty-Mansiysk Autonomous Okrug-Ugra case

Khanty-Mansiysk Autonomous Okrug-Yugra (hereinafter KhMAO) has a unique experience in the formation of the non-governmental sector in the field of social services. Unlike the Government of Bashkortostan, the Government of KhMAO only indirectly participated in the process of institutionalization of non-governmental social-service providers, including NPOs. Mostly the non-governmental sector was formed in a natural market way. This largely explains the fact that the majority of non-governmental providers in KhMAO are represented by commercial organizations and individual entrepreneurs. The structure of social service provid-

ers is as follows: public organizations – 54, NPOs – 58, commercial organizations (including individual entrepreneurs) – 145.¹² At the same time, the overwhelming majority of private organizations represented in the regional-provider registry were created after the law on fundamentals of social services for the population came into force, with the primary goal of delivering social services and participation in the allocation of resources.

The inclusion of different types of service providers in the social services of the region led to the use of almost all the arrangements known in Russian practice for transferring social services to them for execution. The right to participate in competitions for subsidies, as well as the right to receive compensation for the delivery of services, belongs only to NPOs. As can be judged from the information given in Table 4, for each arrangement of budget financing of providers there is a clear list of transferred social services. There are five types of services transferred through personalized financing (certificates), four types of services – through public procurement, ten types of services – through compensation for the delivery of service and two types of services – through subsidies allocated on a competitive basis. At the same time, in contrast to the Perm region and Bashkortostan, the services transferred to the non-governmental sector include not only services delivered at home and in partial inpatient stay form but also inpatient stay services.

The most common arrangements for the transfer of social services in KhMAO (as evidenced by the number and volume of services transferred) are personalized financing through certificates and compensation to the provider of the costs of delivering services. Personalized funding is carried out through the provision of five types of certificates to citizens for payment of services that were gradually introduced in the region in 2012–2017:

- nursing care for lonely seriously ill citizens;
- social rehabilitation and re-socialization of drug addicts;
- permanent nursing care for lonely senior citizens and people with disabilities in private residences (“residence for the elderly”);
- social rehabilitation of homeless people, people released from prison (night-stay services);
- assistance to victims of violence.

A less common tool for attracting non-governmental providers is public procurement. An analysis of the procurement of social services in 2017 (Table 5) shows that this arrangement is not popular among NPOs (like governmental organizations). Commercial organizations and individual entrepreneurs participated in the procurement. At the same time, there was little intrasectoral competition: in almost half of the purchases made, there were two participants.

12 <http://socuslugi-ugra.ru>

Table 4
The list of social services transferred to non-governmental providers in Khanty-Mansiysk Autonomous Okrug

NPOs and social entrepreneurs			NPOs	
Personalized financing of services by providing certificates for payment of services	Transfer of part of services through public procurement	Provision of compensation for social services delivered to citizens		Subsidy
Types of transferred services				
Home care for lonely seriously ill citizens (nursing services)	Home care for senior citizens, for citizens with disabilities, for children with disabilities	Home care for senior citizens, for citizens with disabilities, for children with disabilities	Personalized support for citizens with disabilities	
Services in an inpatient stay form: services of permanent nursing care for lonely senior citizens and people with disabilities	Social Taxi Services	Services in inpatient stay form of nursing care for lonely senior citizens and citizens with disabilities	Providing hearing-impaired citizens with information assistance on legal and social issues	
Services for victims of violence	Urgent social services for citizens in difficult life situations	Day-care services for senior citizens	Socio-pedagogical services for the development of positive interests among senior citizens	
Night-stay services	Training of employees and volunteers of NPOs and social entrepreneurs	Social rehabilitation for children with disabilities	-	
Services for the social rehabilitation of people suffering from drug abuse	-	Day hospital stay for younger citizens with mental disorders	-	
-	-	Social rehabilitation for citizens with speech disorders	-	

-	-	Urgent social services for citizens in difficult life situations	-
-	-	Assisting guardians and trustees in the delivery of medical, psychological, pedagogical, legal social assistance	-
-	-	Socio-pedagogical services for the development of positive interests among senior citizens	-

Source: author, based on the Order of the Department of Social Development of the Khanty-Mansiysk Autonomous Okrug from 30 November 2016, No 812-p.

Table 5
Public procurement of social services in Khanty-Mansiysk Autonomous Okrug in 2017

Objects of procurement – types of social services	Procurement methods			Number of procurement participants		
	Number	Planned	Actual	NPOs	Commercial organizations	Governmental organizations
1	2	3	4	5	6	7
Social services at home	5	Open tender	Single-source procurement*	No bids	5	No bids
	2	Open tender	Open tender	No bids	4	No bids
	2	Open tender	Did not take place	No bids	No bids	No bids
	2	Open tender	Did not take place	No bids	Bids declined (failed to meet the requirements)	No bids
	3	Auction	Auction	No bids	6	No bids
	3	Auction	Single-source procurement*	No bids	3	No bids
	2	Request for quotation/invitation to bid/invitation to tender	Request for quotation/invitation to bid/invitation to tender	No bids	4	No bids
	2	Request for quotation/invitation to bid/invitation to tender	Single-source procurement*	No bids	2	No bids

Urgent social services	1	Auction	Did not take place	No bids	No bids	No bids
	2	Request for quotation/invitation to bid/invitation to tender	Single-source procurement*	No bids	2	No bids
	3	Request for quotation/invitation to bid/invitation to tender	Request for quotation/invitation to bid/invitation to tender	No bids	6	No bids

* For each procurement process an application is submitted from one supplier. The contract is made with the sole supplier that submitted the application.

Source: compiled by the authors based on the analysis of information from the Unified Information System in the public procurement.

Completing the analysis of the KhMAO case, we note that this region is applying all known arrangements for the transfer of social services to non-governmental providers, including NPOs. In our opinion, this is due to a natural process of formation of the third sector in the field of social services, where the Government of the KhMAO acted only as a regulator. Through the arrangements of certificates and compensations for the services delivered, the region forms a competitive social-services market and makes non-governmental providers dependent on the recipients of services, and not on the decisions of the authorized body of the region in the field of social services. The various forms of financial and property support put into practice by the government of the Autonomous Okrug help to increase the economic sustainability of new social-service providers.

Conclusion

The presented study reveals certain regional differences in the practices of transferring public social service to non-governmental providers. Such variability is determined by many factors, in particular it depends on the position taken by the regional governments with regard to the reform of the social-services sector, the assessment of the situation with potential non-governmental service providers and the possible risks of restructuring the sphere of public services; the possibility to use the tools of property and other forms of support for new suppliers. In addition, another circumstance should be taken into account: at the beginning of the process of large-scale reorganization of social services in many Russian regions, there was no sufficient number of private-sector organizations (primarily nonprofit) capable of providing appropriate services, participating in competitive procedures for obtaining budget funding and ready to accept the expansion of accountability requirements.

The analysis of the regional cases allows us to draw the following conclusions:

Firstly, regions use different approaches for the institutionalization of non-governmental service providers. In Bashkortostan, “institutional substitution” of governmental organizations with non-profit ones was carried out by changing the legal status of the former. A similar model of formation of the private sector in the sphere of social services is now partially reproduced in other regions of the country when transferring different types of public social services to the private sector. This makes it possible not only to solve the tasks set by the federal government in the regions within a short time frame, but also to minimize a number of risks for regional governments that may arise when working with new (“untested”) providers. In the Perm region, emphasis was placed on the involvement of commercial organizations in the provision of social services. At the same time, even before the large-scale reorganization of social services, some social services were transferred to the

private sector. On the contrary, in the KhMAO, the emergence of commercial organizations, as well as the majority of NPOs focused on work in the field of social services, was stimulated by the Federal Law No 442. With that being said, the non-governmental sector continues to develop dynamically. Over the last two years (2017–2018), the number of business representatives in the regional register has doubled, while the number of non-profit organizations has grown by a factor of three. This was facilitated by the implementation of regional programs of financial, property and educational support for social entrepreneurship and non-profit organizations. In turn, the ability to provide significant support to non-governmental social-service providers is determined by the budget resources of the region, where economy is dominated by oil production.

Secondly, despite certain differences in the institutionalization of new suppliers in KhMAO and the Perm region, they are dominated by commercial organizations. A similar situation is also observed in other regions, confirming on the Russian empirical material the statement that the “weaknesses” of NPOs, caused by their institutional nature, act as a barrier to their inclusion in the procurement of social services at the request of the government (Mersiyanova and Benevolenskij 2017, Moskovskaya 2018). At the same time, the budget arrangement used in the regions for transferring services to the non-governmental sector, regional procedures for selecting providers, as well as the types of services to be transferred, are not always guided by the real possibilities of NPOs.

Thirdly, the regions use different arrangements for transferring social services to non-governmental providers. At the same time, public procurement, mainly aimed at reducing the price of delivered services, proved to be an inefficient arrangement, and therefore the practice of their use has declined significantly in the studied regions. The most common arrangements for the transfer of social services are personalized funding through certificates and reimbursement of costs for delivered services. In particular, this is confirmed by the number and volume of services transferred by such methods in the Perm region and KhMAO. At the same time, the nature of services transferred through certificates (inpatient and partial inpatient social services), requiring significant resources, limits the number of providers capable of delivering such services. Thereby the issue of implementation of the principle of the customer’s freedom to choose the service provider remains open. The competitions for subsidies in the regions are held, encouraging the participation of NPOs in the delivery of social services. In the Republic of Bashkortostan, this is the dominant method of financing non-governmental providers. But in this case it is necessary to speak not about a real competition of potential service providers, but about a way of reception of financing by certain organizations. The practice of summing up the requirements of competitive selection for specific organizations has also been documented by other studies of

the transfer of certain social services to the private sector in different regions of the country (Rudnik and Kushtanina 2018, 125).

Fourthly, in the regions (with the exception of KhMAO), there is a segmentation of providers by types of social services: governmental providers deliver inpatient stay services, non-governmental – partial inpatient and home services. This eliminates intersectoral competition. Only in Khanty-Mansiysk Autonomous Okrug are commercial and non-profit organizations involved in the provision of inpatient stay services.

It should be recognized that a number of issues related to the choice of arrangement for transferring public services to the non-governmental sector in the regions remained outside the scope of the article. In particular, the possible continuation of the study concerns the assessment of the impact of different arrangement of budget financing of service providers and the established procedures of their competitive selection on the formation of a pluralistic structure of the sector of non-governmental service providers. Other problems arising in the process of transferring services to the private sector, such as compliance with public expectations of the quality of services provided by non-governmental providers, the effectiveness of the support measures used by the federal and regional governments for new providers, the assessment of the economic efficiency of service transfer and the costs incurred, and the impact of the transition to the professional provision of social services at the request of the government on the social mission of non-governmental providers, also require in-depth study on the Russian empirical basis.

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