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Draft Paper

Outsourcing of Social Service Provision to NGOs in the Russian Federation

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Acronyms

NGO	Non-Governmental Organization
NKO	Non-Commercial Organization
ONF	Public National Front
RU	Russian ruble
SONGO	Socially-Oriented Non-Governmental Organization
US	United States

Authors

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Abstract/Summary

The paper focuses on a major social policy reform in the Russian Federation that was designed to begin outsourcing of some social service provision from state organizations to Socially-Oriented Non-Governmental Organizations (SONGOs). The key reform legislation, Federal Law 442 (FZ442) “On the Basis of social services for citizens of the Russian Federation,” came into effect in January, 2015.

The paper discusses the main goals of the outsourcing reform to:

- introduce into Russia’s social sector competition and choice of providers for service recipients by creating an alternative market outside state institutions;
- link civil society and the state in ways that could improve communication, feedback and effectiveness of the state’s welfare expenditures;
- increase personalization, responsiveness and effectiveness of social services
- replace institutionalization of people with disabilities, children without parental supervision, and elderly with services delivered in communities, at home or in semi-institutional settings.

In sum, these changes would bring Russian practices closer to international norms of de-institutionalization, social inclusion, and mainstreaming.

Our paper addresses three key questions about the implementation and effects of FZ442:

- How well has FZ442 worked, that is, how broadly has state-SONGO contracting been implemented through Russia’s regions?
- How successful have SONGOs been in improving responsiveness, effectiveness, diversification, and communication between clients and providers?
- Does NGO-state contracting have the potential to transform the dominant, bureaucratic and paternalistic system of state social service provision in Russia?

Based on interviews with NGO administrators and experts, governmental databases, media reports and academic studies, we found that the legislation confronted major problems and resistances. Our paper explains the main problems. First, in order to qualify as providers of social services that could contract with the state, SONGOs had to apply for inclusion in a ‘regional register.’ Applications were reviewed by regional ministries of social protection, and for reasons that the paper specifies, relatively few SONGOs were admitted to registries. We found two main obstacles to registration. First, most SONGOs were small organizations that could provide specialized services, but not the ‘full complex’ of services, specialists, etc. that established state organizations could provide. SONGOs would have had to increase staffs, hire professional experts, and make other changes to their organizations and missions that many were unable or unwilling to make. Secondly, regional social sector administrators were responsible for the operations and staffs of established state organizations, and were unwilling to divert funding to non-state providers. SONGOs that were admitted to regional registers had difficulty finding clients, as most people from vulnerable social groups who relied on social services stayed with their accustomed routines.

We next look at contracting from the perspective of SONGOs. They reported that, despite the difficulties of the contracting system there were advantages. SONGOs that contracted

with the state to provide services had the possibility to get stable financing through the state budget, solving one of their largest problems, inadequate and unreliable financing. More stable financing would allow SONGOs to develop and improve the quality of their work. Contracting would also provide opportunities for communication and dialogue with state structures. While most SONGO representatives we interviewed saw the advantage, some concluded that joining the contracting system was too onerous or risky.

In assessing the results of FZ442, we found that, two years after passage of the law only small numbers of SONGOs were included in most regional registries. We did find variations among regions. In a small number of ‘leading’ regions, administrations created successful systems of contracting, delegating part of social service provision to SONGOs. In the second group of regions authorities blocked SONGOs from registers and maintained strong dominance of state social sector institutions. We categorize these regions as ‘resisters.’ In a third group regional authorities engaged in ‘formal compliance’, re-registering parts of state social institutions as SONGOs – creating GONGOs, Government-Organized NGOs. Political factors, particularly the orientations of regional governments toward SONGOs, their past experience of cooperation, seem to be a major differentiating factor. The causes of differences among regions merit further study.

We conclude that FZ 442 has not fundamentally changed the practice of social service provision in Russia. A few regions show positive results, but there has been little change in the majority. However, experts believe that with certain refinements of practical mechanisms for the implementation of the contracting reform, it will be possible to diversify social service provision in Russia and improve the range and types of services available to the population.

Introduction

This report assesses the relationship between Russia's Socially-Oriented Non-Governmental Organizations (SONGOs), the state, and other stakeholders in relation to Federal Law (FL) 442, "The Law on the Bases of Social Services for the Population", which was passed in 2013 and came into effect in January 2015. FZ442 paved the way for the major expansion of the role of non-state organizations – both non-profit and commercial - in providing state-mandated social goods and services through contracts with the state. The report draws on approximately 30 interviews conducted with representatives of SONGOs in Moscow City and the Republic of Karelia during 2015-2016. The research found widespread resistance of regional social sector officials to implementing a reform that threatened to transfer financial resources and clients from state to non-governmental organizations. As a consequence, few SONGOs have been able to enter regional registers that would make them eligible to provide services under FZ442. The final section of the report looks at regional variation in implementing the law and proposes explanations for the substantial progress in a small number of regions while in the majority of regions few if any NGOs have been able to register.

The report first reviews the legalization and growth of Russia's NGO sector in the 1990s followed by the state's contradictory policies of supporting socially-oriented NGOs and repressing those oriented toward political, civil and human rights after 2006. Part II explains the main provisions and mechanisms of FZ442 and its expected effects; Part III reports on efforts to implement FZ442 in Russia's regions, obstacles and resistance. Part IV looks at outcomes and regional variations in implementation and summarizes the report.

Development of NGOs in Russia

Legalization and Growth

In the 1990s, as Russia's polity opened, large international organizations as well as long established philanthropic foundations, including the Carnegie, Ford and MacArthur Foundations, opened offices to promote the growth of civil society. These organizations and many other foreign donors contributed significantly to the development of post-Soviet social sciences and humanities, supporting innovative research, critical thinking and practical work in social services, as well as human and gender rights and environmental protection. A number of new non-governmental institutions were established and became centres of best practice. They included for example, Crisis Centers for Women who suffered domestic violence, social work and advocacy centers for children and adults with disabilities, development centers and villages for orphans, etc.

The number of domestic NGOs began to increase after legislation on the non-profit sector was enacted, specifically the Laws "On non-profit organizations" (1996) "On charitable activity and charity organizations" and "On public associations" (1995) Reforms of the civil code during the 1990s recognized about thirty forms of non-governmental organizations that have the general legal status of non-profit (according to legislation of the Russian Federation, *non-commercial organizations* – *NCOs*) including public organizations and institutions, charitable organizations, foundations, autonomous non-commercial organizations, associations, etc. NGOs were given tax exempt status, and

some received foreign funding. Domestic NGOs and other civil society organizations emerged as providers and advocates in Russia's social sector.

The largest domestic NGOs were Soviet era hold-over or 'legacy' organizations, including associations of veterans, visually-impaired, and others with disabilities. (Kulmala and Tarasenko, 2015) New organizations emerged to serve disabled and ill children and adults, people with HIV/AIDS, and other vulnerable groups. The majority of new NGOs were small and informal, organized as membership or self-help groups (i.e., by those affected and their families). They coordinated support, services and sometimes advocacy by and for their members. Others developed into professional service organizations with formal structures and staffs. The latter group raised funds mostly in Russia's growing private and commercial sector. There were cases of self-help groups that grew into larger organizations that applied for grants and engaged in other fund-raising activities. (Cook and Vinogradova, 2006)

During the six years from 1991-1996 the Russian Federation Ministry of Justice registered 3,214 NGOs, while regional organs of justice registered an additional 54,861. (Yakamets 1999). The share of "service" and "non-service" activities in Russia's third sector accounted for 34% and 66% correspondingly. Some 21% of NGOs' labor resources were engaged in social (care) services, a proportion intermediate between post-socialist and Western European countries. (Salamon et al 2016, cited in Benevolenski 2016). NGOs were poorly represented in educational and health services – about 6% of the human resources of the Russian non-profit sector were occupied here.

By the end of the 1990s both support for the non-profit sector and its freedom of development were declining. Deterioration of the state's financial situation as well as reactions to the misappropriation of funds by some non-profits contributed. The government limited tax exemptions, significantly worsening the situation of non-profits. In 2002 revisions of the Tax Code repealed almost all existing income tax benefits for both non-profits and their contributors.

From 2000 demand in international energy markets expanded, Russia's economy recovered, and budget revenues grew. It became apparent to international organizations that Russia now had its own capacity to support non-governmental institutions, independent researchers and universities. In addition, international donors were frustrated by insufficient structural and sustainable changes due to the 'classic patronage system, with no emphasis on merit' (Steven Kotkin, cited in Jaschik, 2007). Donors started leaving the country. The main international philanthropic institutions closed programmes that promoted human rights and supported environmental organizations, the social sciences and humanities. In the following years the Russian government closed most that remained.

Carrots and Sticks: Supporting Socially-Oriented NGOs, Suppressing Rights-Oriented Ones

During the early 2000s Russia's government adopted an approach to domestic NGOs that has been characterized as a dualistic or contradictory, a policy of 'carrots and sticks.' In the aftermath of civil society mobilization during the 'colour revolutions' in Georgia (2003) and Ukraine (2004), harsh restrictions were placed on Russian NGOs that advocated for civil, political or human rights. At the same time Socially-Oriented NGOs (SONGOs) – which the state classified as 'socially useful' - were provided with new sources of state support. Authorities saw the two sets of NGOs very differently: rights NGOs could challenge the leadership and de-stabilize the polity. SONGOs, by contrast,

could help to provide social services. (For the main types of activities of “socially-useful NGOs see Table 1)

Table 1: Types of Main Activities of 96,728 Socially-Oriented Non-Commercial Organizations in the Russian Federation in 2011*

Type of Activity	Socially-Oriented Non-Commercial Organizations by Activities**	
	Number of activities	Share of activities (per cent)
Total	104,391	100
Social support and defense of citizens	26,438	25.3
Charitable activities	14,496	13.9
Education, art, health care, protecting health, improving the moral-psychological situation of citizens, physical culture, sport	63,457	60.8

Source: Federal State Statistic Service, “Socially-Oriented Non-Commercial Organizations
http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/state/#

*Type of activities according to the Federal Law 12 January 1996, No. 7 FZ “On noncommercial organizations”. All other types of activities constitute less than 10% of the total.

**One organization can carry out one or several types of activities.

Policy experts claimed that, SONGOs could provide social services more effectively than state and municipal institutions because they could respond to needs of the population that are not recognized by the state’s statistical categories. Public opinion polls showed that Russia’s population was broadly dissatisfied with social services provided by state institutions. Delegating some of the state’s responsibilities to civil society organizations was seen as a possible solution. Among established NGOs there were many already working with poor families, orphans, elderly, people with disabilities, those with HIV/AIDS, and other socially vulnerable groups. Dimitri Medvedev, who presided over new programmes of federal financing for NGOs, stressed in a 2010 speech that, “we have to call the non-profits to social service provision more actively. They often know better about actual situations... participation of non-profit organizations may make social services more focused and better targeted and decrease corruption in the state apparatus”. (Vesti.ru 30.11.2010)

Support Programmes for SONGOs before 442-FZ (Carrots)

Beginning in 2008 Russia’s government sponsored programmes to support SONGOs, including Presidential and other federal grants that were distributed on competitive bases. SONGOs were again given tax exemptions and subsidized work spaces. Regional

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