

Chapter 11

On Government Purchasing Services

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In September 2013, the State Council held an executive meeting to deliberate the specific issue of purchasing services. At the meeting, it made clear that part of the public service function will be transferred to NGOs, and put forward in detail five requirements, including working out a guidance directory for purchasing services. It is learned that the State Council is stepping up efforts to roll out guiding opinions on the government purchasing services from NGOs. This is another major move by the central government in pushing on with transformation of government functions and speeding up social structural reform since the National People's Congress passed plans on institutional reform in this March.

Purchasing services, also known as “outsourcing” services, is one of the key contents of the new public management campaign that emerged worldwide since the 1980s. The privatization waves pursued successively by British Prime Minister Margaret Thatcher and American President Ronald Reagan invariably contain contents of purchasing services. Viewed from practices in all countries, the subjects of purchasing services are mainly governments at all levels, and the targets are mainly all kinds of non-profit organizations. In contents and scope, it mainly involves various kinds of public services, including education, medical care, culture, old age care, aid to the disabled, and community-level comprehensive services. The beneficiaries are mainly disadvantaged groups and non-specific majority of social public. Government purchasing services has broken the tradition of government's monopoly over public services. It opens part of the public spheres, introduces non-governmental forces in the form of contracts by taking advantage of

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the market economy and establishes a new mechanism for the provision and development of public services. Thus, a new type of supply and demand relationship involving taxpayers (demand side)-government (outsourcing side)—non-profit organizations (supplying side) is formed. In such a mode, the government does not directly participate in production or provision of public services; instead, it acts as the outsourcing party of public services, and is called the “the third party” government outside the demand and supply of public services. By introducing market economy in the provision of public services, purchasing services not only improves the efficiency in utilization of public funds, but also greatly increases the quality of public services and satisfaction of the public. This is because it is dominantly targeted at non-profit organizations, and gives consideration to non-profitability, public interests, flexibility, accessibility and demand-orientation in the provision of services. For these reasons, it has increasingly become a measure valued by many countries in promoting public management innovations.

The Chinese government has started purchasing services from the middle of the 1990s. “Roshan Citizens Hall” in Pudong New Area of Shanghai is considered as a successful pilot project in which local government purchases comprehensive services for communities from NGOs. Over the recent years, the governments at all levels have made active explorations in purchasing services to promote social management innovations. On one hand, great efforts are made to promote transformation of government functions and to hand over to social forces part of functions such as public services and social management that were previously undertaken by the government; on the other hand, active measures are taken to cultivate and develop NGOs and to encourage NGOs to participate in public affairs. Shanghai and Shenzhen have been the first to launch pilot projects. Guangdong Province has rolled out local regulations and relevant documents, and has gradually gained some salutary local experience in purchasing services. As is shown by practices, by transferring to NGOs those public services that the government “is incapable of doing”, “inconvenient to do” and “cannot do well”, purchasing services can help transform government functions and strengthen public services so that the masses can get more convenience and benefits. At the same time, it can bring about more development space for NGOs and bridge the wide gap between the government and the society. However, some problems were revealed in practices in different regions. Such typical problems include: unclear understanding of the nature of purchasing services, equivocal subjects, unspecific contents, overly general scope, incomplete mechanism, poor implementation of principle and responsibility. Some regions even raised quantitative requirements on the growth rate of annual budget for purchasing services.

With regard to these issues, my suggestion is that we have to be fully aware of the importance of purchasing services in promoting transformation of government functions, speeding up social structural reform and further improving the market economic system, and also adhere to some important principles in purchasing services. We should prevent a headlong rush into mass actions while guarding against deviations in purchasing services.

First of all, we should adhere to the principle of public services in purchasing services. Purchasing services only involves changes in the provision mode of public services, and will not change the contents and natures of public services. In other words, through purchasing services, public services that are originally provided by the government are to be directly provided by social forces. The government will mainly engage in process supervision, results accountability and efficiency evaluation. However, the contents and natures of public services are not changed. In transferring functions to the society and the market, the government has to properly address the relationship between service purchasing and transformation of government functions. The mode of purchasing services can be adopted only for those functions that retain the attributes of public services. It should be avoided that all functions that the government transfers including part of the government's own functions (such as logistic services) are labeled "purchasing services".

Next, we should adhere to the non-profit principle in purchasing services. The subjects that undertake purchasing services should dominantly be NGOs, and should not be profit-seeking enterprises, nor should they be administrative public institutions. We should adhere to the non-profit principle for the maximization of social benefits, so as to ensure that public services are comprehensive, premium and accessible. It is allowed to get limited profit, but not allowed for social forces involved in purchasing services to take maximization of profits as their objective. Strict standards should be maintained at the access stage for qualification confirmation and credibility evaluation. Moreover, the threshold for market access should be lowered so as to allow qualified and reputable NGOs to get involved. At the same time, we should guard against enterprises and public institutions from joining in swarms, and also note that a few local governments may register NGOs purely for the sake of purchasing services and continue "the cycle of operating within the system".

Third, we should adhere to the principle of market orientation in purchasing services. In essence, purchasing services is to provide public services in a market-oriented way. The core elements of marketization include openness and transparency, equal competition, and fair price. The threshold for bidding qualifications should be defined so as to avoid that "a little horse is pulling a heavy cart". We should duly publish relevant information about the government purchasing services from NGOs, explore bidding and other mechanisms, cultivate and develop NGOs, so as to create a competitive market environment. We should also select the best through such competitive means as entrustment, contracting and procurement. We should take measures to prevent black box operation and eliminate any interest transfer and improper related transactions in the name of purchasing services.

Fourth, we should adhere to the principle of efficiency in purchasing services. By introducing social forces and market mechanism, purchasing services can, on one hand, improve the efficiency in utilization of funds for public services and, on the other hand, strengthen the demand-supply balance and social accessibility of public services. We should include purchasing services into our overall plans for government budgeting. The government should decide service items on the basis of accurate information about demands, allocate funds according to service items and

ensure that funds for purchasing services are available in due time; the government should improve all links concerning the whole process of purchasing services, including information disclosure, supervision and accountability, auditing and accounting, and dynamic management; the government should establish a third party evaluation mechanism for qualifications of NGOs, update in real-time the qualification list for NGOs that have taken over government purchasing services, retain only the fittest of the subjects concerned, and apply limited funds to areas that the masses need most, so as to enable the masses to enjoy premium and efficient public services. Measures should be taken to prevent dishonesty and wastes and prohibit sub-contracting any public services to others.

Fifth, we should adhere to the progressive principle in purchasing services. As a new complicated mechanism for providing public services, purchasing services not only involves multiple subjects such as the government, NGOs, beneficiaries (consumers) and taxpayers, but also contains multiple mechanisms including policy, budget, market and non-profitability. Meanwhile, it is also restricted by a range of factors such as fiscal capacity, management system, maturity of NGOs and their capacity building, market structure and stock. Explorations for purchasing services should be a process of continuous learning and progressive enhancement. Its applicable scope, scale and intensity should be gradually developed. After launching pilot projects in regions where required conditions are met, the government can progressively summarize relevant experience and popularize these practices. As purchasing services requires supporting funds from various departments, the situation that “government at the higher level is enthusiastic while government at the lower level is not” may occur. In other cases, with the logic of “allotting money from the finance”, some regions and departments may blindly take mass actions. Both such phenomena should be avoided.

Sixth, we should adhere to the principle of synchronism in purchasing services. Purchasing services should be promoted simultaneously with the construction of the NGO system as well as the formation of the modern NGO system. Specifically, the social management system should feature Party committee leadership, government responsibility, social coordination, public participation and legal guarantee and the modern NGO system should feature separation of government administration and NGO management, well-defined rights and responsibility and self-governance according to law. We should encourage NGOs to get involved in purchasing services, and endeavor to build a cooperative win-win relationship between the government and NGOs in the sector of public services. Meanwhile, we should safeguard the independence of NGOs and prevent the government from “incorporating” NGOs in the name of purchasing services. Furthermore, purchasing services should also be promoted simultaneously with government structural reform and reform of public institutions. Through purchasing services, we should further push forward with transformation of government functions and reform of public institutions, while guarding against public institutions availing themselves of purchasing services to convert the manner of allocating funds and make wrong use of reform.

In conclusion, purchasing services is a systematic engineering, which is both significant and complicated. Currently, the government is making active efforts to streamline administration and delegate powers to lower levels. We should seize this opportunity to learn lessons from our explorations and guard against deviations while forging ahead phase by phase. Only in this way, can we better release dividends of reform and form a resultant force of public services and social construction.