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# **From Contracting to Collaborative Governance: Dynamic Evolution of Government-Nonprofit Relations**

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# The research background

- Collaborative governance (CG, 合作治理) , as cross-sector participation and collaboration in public affairs governance, has been receiving increasing enthusiasm.
  - A basic characteristic is the sharing of discretion for public purposes (Donahue and Zeckhauser, 2011).
- CG is, fundamentally, a result of an equal state-society relation and an inclusive legal system deeming nonstate organizations as legitimate governing actors/partners.

# The applicability of CG to China

- Civil society in China is still quite nascent.
  - Heavy social regulations have been undergoing gradual adjustments.
- A government-oriented culture (官本位文化) is not in favor of sharing power and discretion with external actors.
- These conditions may indicate a barren field for CG to emerge.
  - This fits the general of perception of the role played by nonprofits in public affairs.

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## But meanwhile, contracting prospers.

- Increasing social service contracting in China
    - The 2002 Government Procurement Law
    - The Circular No. 96, 2013 of the State Council (*General Directions of Government Service Contracting*)
      - Entrust social forces to do whatever they can do well (provision, quality, and efficiency).
    - The Notice (2014, No. 96) of Ministry of Finance (*Provisional Stipulations on Government Procurement of Services*)
  - Adopting the estimate method of Minicucci and Donahue (2004), aggregated outsourcing in China was estimated to increase from 32% to 37% during 2002-2006 (Jing, 2008; Rosenbloom and Gong, 2014).
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# What are the implications of contracting on CG?

- Contracting, despite its focus on service capacities, creates cross-sector relations and interactions.
- A natural puzzle is if contracting may reshape the roles of service partners in public governance.
  - Has contracting created something beyond service delivery and principal-agent relation?

# Contracting Vs. Collaborative Governance: A Static View

	<b>S e r v i c e contracting</b>	<b>C o l l a b o r a t i v e governance</b>
Relation	Principal-agent relation (hierarchical)	Collaboration (horizontal)
Targeted nonprofit capacities	Operational	Governing
Functions	Service delivery	Public governance
Goals	Efficiency and effectiveness	Efficiency, effectiveness, legitimacy and harmony
	Set by contractee	Agreed and coproduced
State actor obligations	Less	More
Shared discretion	Managerial	Redistributive/administrative
Accountability	Managerial	Relational and political
Philosophical foundation	New Public Management	New Public Governance

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# A dynamic view of contracting as a process

- Contracting relation exists over time and demands various kinds of cooperation between contracting parties.
  - The evolving contracting may facilitate CG
- We interviewed nonprofit leaders and government officials in Shanghai who participated in social service contracting
  - Nonprofit Incubator (NPI)
  - Yanji Street Government (YSG)
  - Competitive Bidding for Social Service Program
  - Venture Philanthropy Program

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# Examples of CG through contracting

- Sharing of discretion due to incomplete contracts
- Contracting of bundled functions
- Extension of contracting to important discretionary areas
- Contracting of regulatory functions
- Contracting of standard making functions
- Contracting out of deliberative functions
- Engaging contracting nonprofits in community governance frameworks
- Engaging contracting nonprofits in formal institutions and decision making processes



# The case of Nonprofit Incubator

Activity Patterns	Projects	Functions & Features
Self-Operated Business	Nonprofit Capacity Building	Provide training, consultancy and evaluation for nonprofits.
	Corporate Social Responsibility Consulting	Comprehensive corporate social responsibility consulting to enterprises.
	Nonprofit incubator	Support nonprofits at embryonic stage with subsidies, office, training and consultancy.
Service Contracting	Community Service Platform	Takeover of community service centers and their service programs from local governments.
Service Contracting & Collaborative Governance	Shanghai Park for Social Innovation Incubation	Contract with Shanghai Municipal Government to operate and manage the Park, which aims to cultivate nonprofits, solve social issues and promote cross-sector collaboration.
	Venture Philanthropy	Contract with Shanghai Municipal Government to provide nonprofits at embryonic stage with strategic planning, seed funding, training, evaluation, and other consultancy.
Collaborative Governance	Charity Project Fair	Organize exhibition of charity projects designed by nonprofits and encourage governments, foundations and other organizations, as buyers, to subsidize or adopt the projects
	Shanghai Public Welfare Development Foundation	Collaborate with Shanghai Municipal Government to establish a public foundation for charity purposes

# The case of Yanji Street Government

Activity Patterns	Projects	Functions & Features
Self-Operated services	Social welfare, disabled subsidization, etc	The many public and social service projects delivered by public and quasi-public agencies of YSG
Service Contracting	Yanji Elderly Nursing Home	Contract out the management of the Nursing Home to Hongri Group.
	Home care for the Elderly	Contract with Haiyang Group to provide senior citizen with government-subsidized or fee-based home care services.
	Yanji Daycare Center	Contract out the operation of the Center with Zhixing Social Worker.
	Yanji No.1-No. 2 neighborhood Centers	Contract out the operation of the Centers and their comprehensive human and social service programs to Zhixing Social Worker.
	Yanji No.3-No. 4 Neighborhood Centers	Contract out the operation of the Centers and their comprehensive human and social service programs to, respectively, Yanze Social Development Center and Xintu Health Intervention
Service Contracting & Collaborative Governance	Yanji NPO Service Center	Contract with Zhixing Social Worker, which provides multiple incubation and supervision services to NPOs admitted by the Center.
	Yanji Community Culture & Sports Club	Contract with the Club to organize cultural and sports events for community residents and to manage all sports facilities in the community.
	Family Physician Project	Contract with Xintu Health Intervention to improve health awareness and management of elderly residents, organize pro-health volunteer teams, and promote and monitor the use of family physicians.
Collaborative Governance	<del>Community Volunteer Center</del>	<del>Contract with Youth Home to manage the Center and all volunteer teams in Yanji Street.</del>

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# Micro mechanisms of contracting that facilitate CG

- 1. Trust
  - From trust over capacity to trust over intention
  - Interpersonal trust
  - Reputation: generalized trust
  - Trust of cooperation as a form of coordination

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- 2. Governing resources
    - Social capital acquirement
    - Social/network embeddedness
    - Community/social representation
    - Governing skills and capacities

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### ■ 3. Accountability

- Formalization/modernization of nonprofit organizations
- Mutual information and control
- Improved formal accountability systems

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# Conclusions

- 1. Governments in China cooperate with nonprofit with a fundamental purpose to handle service issues.
- 2. Discretion sharing happens as contracting evolves and sustains.
  - It is unintended initially but can be intended thereafter.
- 3. Contracting-induced CG face major constraints.
  - 1) Lack of institutional support;
  - 2) Potential conflicts with service goals.

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- Thank you!
  - Questions and comments welcome!