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Understand Government-Nonprofit Social Service
Contracting Relationship

----using Shanghai Public Service Bidding As
an Example

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Abstract

With the idea of the governance, the model of social service delivery changed from government produces to purchases of services from Non-Profit Organizations (NPOs). Thus, cooperation was established between public sector and NPOs. The cooperation can be achieved by defrayed directly or using competitive contract outsourcing. The former one was commonly used while the latter one asked more for management capability of the government.

The research question is how intergovernmental relationships influenced the result of public service outsourcing? To what extent were the social organizations matured during the process of outsourcing?

While using outsourcing, the municipal government tries to introduce competence into the purchase of service. The aim is to change the relationship between grassroots government and social organizations from Stewardship to Principal-agent, to avoid the social organizations produce services like one part of government. By competitive outsourcing, the capability of social organizations can be enhanced to ensure the quality of social services delivery.

According to the research on **Shanghai Public Service Bidding**, the study focus on the perspective of intergovernmental relationships to explore the difficulties which the municipal government meet while managing the outsourcing process, and the author tried to find to what extent the contracting out influencing the relationship between grassroots government and social organizations.

Key words

Government-Nonprofit Social service Contracting Relationships,

Social organizations

Contract management, intergovernmental relationships

The Morphology of the Public-Nonprofit Partnership

Introduction

Contracting for the delivery of social services is a form of privatization that has been steadily growing over the past several decades. National statistics indicate that approximately half of all public social service dollars are spent purchasing services (Gibelman and Demone, 1989; Rehfuss, 1989; Ryan, 1999). States and municipalities increasingly pursue privatization as a way to deliver public goods and services because of two expected outcomes, reduced costs and quality improvements.

In China, because its weak civil society, government also use privatization as a tool to strengthen its social organizations. By purchasing the competitive contracts, the relationships based on contracts between governments and social services were established. And the main aim is to choose the best “manager” to deliver the best social services.

The continued growth in the use of privatization for the delivery of social services increases the need for a systematic method to analyze the contracting process. This study mainly used two theories to examine the manner in which the government-nonprofit social services contracting relationship is managed.

The government purchase of the public services from the social organizations means that the government authorizes the qualified social service agencies to provide the public services through the direct funding or the public bidding which were provided directly by the government itself and then pays for the services according to the quantity and quality of the public services provided by the successful bidders (Zhu Meihua, 2004). At present, the public services purchase by the government from the social organizations is implemented mainly in the mode of government’s commitment, directional commissioning, contract management, assessment and cashing.

With the gradually increasing demands for the social services in China and the substantial increase of the social services supply by the government, the government produces and delivers the services through the use of the social organizations and becomes an important way to cultivate the social organizations, improve the relationship between the government and the social organizations and increase the service efficiency of the public funds and the effects of the social services. In the purchase process, it is a trend and fashion to adopt the competitive contracting in the global public management reform. The competitive purchasing emphasizes the agency relationship based on the contract management, aiming at choosing the best “managers” to cooperate with the government to provide the social services.

Shanghai also goes for this trend and tries to change the purchase of the social services from the direct funding to the competitive bidding mechanism. In 2006, eight government departments of Shanghai Pudong district, including Bureau of Social Development and Bureau of Labor and Social Security signed the agreements of services purchase with eight non-governmental organizations, including Yangguang Haichuan School, Yangguang Charitable Relief Society and the elderly association in street level respectively to officially begin the exploration of the social services purchasing from the social organizations.¹ And, the implementation of the public services bidding in 2009 attempted to introduce competition in the purchase. It carried out the project bidding publicly with some of the profits from the welfare lottery. The various social organizations developed the bidding documents spontaneously according to their own resources and development characteristics and tried to obtain the funds through the bidding, intending to cultivate the social organizations and implement the project management so as to improve the capital efficiency.

New mechanism brings challenges. The competitive purchasing mechanism needs to cooperate with the government's ability of effective management to achieve the purposes of training the social organization and increasing the benefits from the social services. This paper studies the government's ability to manage the public-nonprofit partnership. It first reviews the origin of the service purchase by the government from the social organization, and then analyzes our government's difficulties in managing the public-nonprofit partnership to study the required means and management tools by the government in managing the service purchase. Furthermore, through the analysis of the government management model shift from the stewardship to the agency in our social services and combining with the case of Shanghai Public Project Bidding, it enumerates the difficulties the government encounters in the implementation of the competitive bidding policy, analyze to which extent the policy realizes the public-nonprofit partnership changes, and explores whether the policy can achieve the purpose of returning the sociality of the social organizations and cultivating the professionalism.

¹ Source: http://vweb.youth.cn/cms/2006/2006news/xdjs/yw/200712/t20071219_624881.htm

2. The Origin and Theoretical Basis of the Public-Nonprofit Partnership

2.1. The Origin of the Social Service Purchase by the Government

Nowadays, the governments around the world are generally facing four aspects: Firstly, the government's low efficiency or inefficiency in providing the public goods and services results in the popular discontent and the intensified social and civic contradictions; secondly, the movement of new public management rises and develops; thirdly, the social organization is undergoing the continuous development and improvement itself; fourthly, the public has a growing demand for the public services. In these contexts, countries began to propose the concept of the public-private partnership for the social services and the public goods supply which has taken the lead in the UK, U.S., Canada and other countries. Meanwhile, the European Union, the United Nations, the Organization for Economic Cooperation and Development, the World Bank and other international organizations are also actively promoting the concept and experience of the public-private partnership for the supply of the public goods and services all over the world and this trend has swept across China and other developing countries .

The service purchase by the government from the community organization first originated from the Western social welfare system reform. The Government paid for the public service organizations in the society from the social welfare budget, appropriated funds for the services or bought the social services through the public bidding. This reform measure has been implemented for forty years and produced a profound impact on the social services.

Western welfare countries were founded from the late 1880s to the 1930s. In order to deal with the social demands which were emerging and developing with the rapidly developing free market economy and the rash industrial changes, the governments all issued a variety of social securities and tax policies and assumed the responsibility for providing the welfare services for the members of society. During 1940s and 1950s, the popularity of Keynesian economic theory and the economic prosperity after World War II made the government's welfare role be widely recognized by all sections of society,. Meanwhile, the government's intervention scope and intensity in economic and social life were also enhanced, the scope of the social security expanded continuously, and the public welfare spending increased

substantially. During 1960s and 1970s, the Western welfare countries enter their mature period and their social securities and social services almost covered all the problems which could not be solved by individuals and families. However, since the mid-1970s, “government failure” began to appear. The governments began to slash the welfare spending, reduce the government’s welfare role, and explore the approach of providing the social services by the use of the market mechanism, aiming at overcoming the waste, inefficiency, corruption and other defects in the process of providing the benefits or services by the Government.

Concurrently, along with the wave of privatization, since 1980s, the call for the administrative reform has been rising worldwide. Osborne and Gaebler put forward the concept of “entrepreneurial government” and thought that the role of the government should be “steering” rather than “rowing” (Osborne et, al. 2006); then, the Denhardt held that the government should provide more services rather than steering and allow citizens to participate in the provision of public services (Denhardt, 2004); Peters proposed four modes of governance in the future development in *The Future of Governing*: “the first was the market government, emphasizing the market-oriented government administration; the second was the participatory government which focused on more involvement in the government administration; the third was the flexible government, holding that the government needed more flexibility; the fourth was the deregulated government which proposed to reduce the internal rules of the government (Peters, 2001).” The core objective of these theories and models was to improve the administrative efficiency of the government and the quality of its public services and reduce administrative costs. For this, governments continuously explored various ways to achieve the government’ administrative reform objectives. Savas said: “in the innovative solutions by the public sector, it is one of the core elements to establish the partnership (Savas, 2002). The necessary partnerships included the community partners (citizens and volunteers), the private sector partners, nonprofit organization partners², etc...” In the provision of the public goods and public services, it was necessary to change the single body state of the government but require various social bodies such as the social organizations to do it, thus forming the public-nonprofit partnership between the government and the social organizations to provide the public goods and public services. This partnership was actually the combination of the public services provided by different mechanisms.

² No Distinction between the Social Organization and the Non-profit Organization in the Paper

Based on the development of these studies and the practical experience, the social organization began to be regarded as the co-operation partner of the government, aiming to provide more efficient public services. The public services purchase by the government from the community organization has become a new trend in the social service delivery model.

2.2. The Theoretical Basis of the Public-Nonprofit Partnership

In the outsourcing of the social services contract, there is no the perfectly competitive markets (DeHoog, 1984). The prerequisite to perfect competition requires many producers and consumers exist in the market and the products are homogeneous without any difference to maximize profits through the product competition. In the field of the social services purchase, there are a limited number of buyers and sellers. In a contract outsourcing, the government is the only buyer, which results in the monopoly of the buyer. However, the social organizations which are able to become the producers are also limited in numbers due to its immature growth and other reasons. At the same time, the social services emerge according to various demands, so as a product, it is heterogeneous rather than homogeneous. Additionally, on the basis of the mission and organizational goals of the buyer (the government) and the seller (the contractor, often the nonprofit organizations), they do not entirely pursue the profit maximization but bear the responsibility of providing the social services to various extents. Therefore, in the field of social services, there is no ideal state of perfect competition. Because of the particularity of the social services, it is inefficient or ineffective to provide the social services by simply replying on the market, because the generation of the “market failure” needs the power of the third sector.

In the third-party management model, Salomon said that the government and the third party should share the right of disposition in the spending of the public funds and the application of the public authority and the government brought the function of management in the welfare projects and left a considerable degree of discretion right to the nongovernmental departments. The transactions costs in replying on the government to provide the public services will be much higher than that in using the nonprofit organization, so when encountering the market failure, the nonprofit departments should be regarded as the initial system which provides the public services(Salomon, 1998). Hansamn proposed the advantages of the social services provided by the nonprofit organizations according to the characteristics of social

services. Since the consumers of social services can neither make accurate comparisons among different social service providers and prices nor judge whether those providers comply with the agreement, in the condition of obvious information asymmetry between consumers and producers on products and quality of services, the market competition constituted by the profit-generating producers is inefficient. The consumers may suffer benefit losses, since the producers provide the poor-quality products, thus leading to the contract failure (Hansamn, 1980). It can be derived from Hansamn's theory that the profit-generating organizations often have the incentives of reducing the quantity and quality of the committed services, so if those goods or services are provided by the nonprofit organizations, the frauds of the producers will be much less, because the nonprofit organizations can not share the profits due to the rule restriction of the "non-distribution constraint". In comparison, as the nonprofit organizations can not benefit from these actions and thus will not have enough incentive power to reduce the quantity and quality of services, the nonprofit organizations are more trustworthy. For the public social services, when the quality of the service provided is difficult to be supervised by the consumers, it is difficult to define the standards of the performance. The social organizations are often the effective option; when the services need high technical requirements and high cost to monitor the quality, the social organizations are the strong candidate for the services providers.

These theoretical views are towards the transformation of government functions to focus on the diversified providing structure of the social services and form the public-private partnership by taking advantage of the resources of the nonprofit organizations, thus providing the better social services (Jing Yijia, 2009). It has been a trend for the government to change the mode of social services provision by establishing the partnerships with the nonprofit organizations. However, in this partnership, the government faces a series of management difficulties.

3. Government's Management Dilemma in Public-Nonprofit Partnership

Under the context of cooperative governance, the government's management of the public nonprofit relationship is mainly the contract management. The gradually increasing outsourcing of the social services produces a challenge to the government's capacity in management, mainly in the following aspects:

(1) The loss of system and policy makes the social services purchase lack the appropriate basis for management.

The service purchase in China is mainly based on the *Government Procurement Law* which was enforced since January 2003. Although it targets at the goods, projects and services, due to the particularity of the social services, it also has the different regulations for management from the goods and project procurement. However, at present, the government still lacks the appropriate institutional support and policy basis in the social services purchase and has no uniform guides and management methods in the contents and cost accounting of the purchased services, the purchasing workflow as well as the examination and evaluation.

Of course, there are a small part of the local governments began to explore the measures for purchasing the public services from the social organizations since 2009. For example, Guangzhou issued *The Enforcement Measures for Examination and Evaluation of Government Purchase of the Social Services (Trial)* in 2010, Dongguan City in Guangdong Province first enacted *The Enforcement Measures for the Social Services Purchase by Dongguan Government (Trial)* and *The Enforcement Measures for Examination and Evaluation of Dongguan Government Purchase of the Social Services (Trial)* in February this year, which adopts the standardized policy guide for the social service purchase. Actually, Guangzhou is in the leadership in policy exploration in China while other areas still lack the appropriate guiding documents, leading to the experience stage of the social services purchase from the social organizations.

(2) Because of the lack of competition in the contract, it is difficult to find the best producer of the social services.

Government Procurement Law in China provides five ways to establish the contract: public bidding, invitational bidding, competitive negotiation, single-source procurement and inquiry. Public tender is designated as the main method and is

expected to bring the lowest cost. Even though public bidding may lead to the lowest cost, there are many minus factors such as the immature market, inappropriate implementations or government agencies' waiver of the competitive bidding and direct government production with more money (Jing Yijia, 2009).

Even if the government is willing to purchase the social services by bidding, this may be due to the lack of competition in most cases. Lack of competition is mainly caused by the following reasons:

- 1) Although the social organizations are growing in number, they are not professional enough, and only a few social organizations are with the nature of service.

Since 2001, despite the doubling trend of the social organizations in number in China (see Table 1),

Table 1: The Development Situation of the Social Organization Unit: (Ten Thousand) ³

Index (Year)	2002	2003	2004	2005	2006	2007	2008	2009
Social Group	13.3	14.2	15.3	17.1	19.2	21.2	23.0	23.8
Private								19.0
Non-enterprise	11.1	12.4	13.5	14.8	16.1	17.4	18.2	
Foundation								1843
(number)		954	892	975	1144	1340	1597	

There are still a series of bottlenecks in the essence of its development. Firstly, the social organizations are not professional enough. Based on the data in 2009, the total staff of the social organizations was 5,446,666 in 2009, including 908,676 employees with the two-year college diploma and 491,012 employees with the four-year college diploma or above. In other words, most employees had no two-year college qualifications. Considering the level of their professional qualifications, the data in 2009 showed that among all employees, only 8315 had the certificate of social worker assistant and only 1213 had the certificate of social worker, which reflects that most social organizations lack the necessary expertise currently from the personnel point of view. In addition to the lack of the professionalism of the social organization, the social organizations with the nature of services are very few in number themselves.

³ Source: <http://www.chinanpo.gov.cn/web/showBulltetin.do?type=next&id=40004&dictionid=2201&catid=>

Take Shanghai as an example. In the classification of the private non-enterprise units in Shanghai, there are only 1468 civil social organizations, accounting for only a very small proportion of the social organizations. Therefore, the lack of the social organizations with the nature of service also brings difficulties for the government to select the non-profit partners.⁴

Shanghai Non-governmental Non-enterprise Departments Classification Graph

Education	2731
Health	122
Labor	561
Civil Affairs	1486
Science and Technology	172
Culture	207
Sports	328
Social Medium	36
Legal Service	24
Others	551

2) The non-profit partners providing the social services usually have a distinguishing governmental nature. They get the contract by the non-competitive means to make it the administrative extension of the government but deviate from the purpose of serving the public interests.

When choosing the partners for the social services purchase, because of the difficulty to find the qualified partner, the fear of losing control and the priority for public purposes, the policy makers of the government tend to develop the partners with the cooperation relationship which have the a reliable contact with the government or the government officials and can show the tendency of cooperation and obedience (Jing Yijia, ready to publish). This service cooperation provision is often shrouded in the administrative relationship or its extension, resulting in the inhibition of the formal contractual relationship and its effectiveness. The government tends to trade with those state-owned enterprises or institutions which have been stripped but still have the financial or personnel contacts to get the government's trust and support easier. From the non-profit organizations, most influential non-profit organizations are sponsored and leaded by the government and rely on the government in the key resources (Yu Keping, 2006). This semi-official intelligence

⁴ Source: <http://stj.sh.gov.cn/Index.aspx>

unit forms a closed dependency relationship with the government. Because of the competition failure, the contract management is reduced to a form, and this function may even be given up by the government.

Since the non-profit organizations are highly dependent on the state authorization and funding and mainly implement the things assigned by the government, so they gradually lose their independent mission and the internal contact with the community and are changed to be the executive body of the government to a large extent; this situation will gradually diminish the autonomy of the non-profit organizations and suppress their community spirit. This requires the government to keep the non-profit organizations at a distance and encourage them to maintain their independence and social embeddedness, obtain more revenue sources, and maintain their financial balance through policy, economic and legal measures. Due to the distrust of the government in the social organizations, the supervisions and administrative interventions occur frequently, so that in order to cooperate with the government, the non-profit organizations should first take into account the relationship with the government rather than their own ability to provide the social services. The ability replaces the relationship to be the basis for selecting the partners, resulting in the failure of the competition.

(3) Lack of capacity makes it difficult for the government to manage and supervise the contract.

The contract outsourcing driven by the ideology makes the government lack the appropriate management ability. At the beginning of the reform, the government always has a whole system but no detailed procedures, which leads to the incompleteness of the contract itself in details. And, since the government lacks the supervision ability and is still at the initial stage of exploration, it lacks the mature management measures in the process of the contract implementation.

Currently, there is still a lack of directional assessment system in the social services purchase. And the assessment of the social organization is based on *The Instructive Suggestions from the Ministry of Civil Affairs of the People's Republic of China on How to Promote Work on Appraisal of Civil Society* and *Circular of the Ministry of Civil Affairs of the People's Republic of China on Carrying out the Appraisal Work of the Foundation* which were issued in 2007, starting the formal appraisal work of the civil society (Deng Guosheng, 2009). However, there are a series of obstacles in the assessment process of the social organizations:

Firstly, the task is difficult to be accurately set. In order to get a good assessment effect, the more accurately the task requirements are set, the more precisely the performance can be assessed; the more competitions the contractor faces, the much easier the unqualified contractors will be replaced (or punished). In addition, the more attention the government pays to the results than the means, the more possibly it employs the profit-making enterprises rather than the civil servants to deliver the public services. In fact, it may be difficult to set the task precisely in advance, which brings some difficulties to the assessment.

Secondly, it is difficult to specify the measurement index system. When setting the performance evaluation mechanism, the government must develop the practical measurement index system, try to measure the results and make the thorough, detailed, and formal communications with the cooperators on the indexes to reach a consensus to avoid the contract holders' deviation from the purpose of the contract due to the improper setting of the measurement index or the inadequate communication. And, at present, as the public services are mostly for the vulnerable groups who have certain difficulties to express their own claims, it is difficult to get the useful feedback from them.

Finally, it lacks the professional third-party appraisal organizations. Our local governments generally entrust the third-party organization to review and assess the project. In 2002, China Population Welfare Foundation and China Family Planning Association formally entrusted the NGO Research Institute in Institute of Public Affairs in Tsinghua University to assess the Happiness Project they implemented, which is by far the most formal project assessment on the public project by the government. However, so far, the third-party evaluation lacks the authority and professionalism. In addition, in the actual purchase process, the government does not do the cost accounting before purchase, so even the government or the third parties have no reference standard and cost comparison when assessing the project, and then the assessment will be meaningless. Therefore, the lack of the professional assessment organization is a major cause of the difficulties for the cooperation between the government and the third party.

4. The Morphology of the Public-Nonprofit Partnership

4.1. Agency Relations and Stewardship

Currently, there is still no standard answer and accurate theory to solve those difficulties. Compared with the leading position of our government, the non-profit organizations are weak and passive. Therefore, the results of the social services purchase are more dependent on the government's attitude and management towards the public nonprofit relations.

The process of managing the outsourcing of the social services is essentially a process of contract management. There may be two morphologies of non-profit partnership in the process of purchase: agency and stewardship. Different management practices correspond to these two kinds of relationships.

Agency relations: the relevant theories supporting the agency relationship are the principal-agent theory. The principal-agent theory is one of the most important developments of the contract theory over the past 30 years. It was developed by some economists by their in-depth study of the internal information asymmetry and incentive problems in the enterprises during the late 1960s and early 1970s. Mainly from an economic perspective, it is based on the humanity hypotheses of the "economic man" and holds that the agent is of individualism, opportunism and self-serving. Its goal is to maximize the individual utility (Xu Qunjun, 2007). The basic concept of the principal-agent theory is to study how the principal design the optimal incentive agent in the context of interest conflict and information asymmetry. Meanwhile, the principal designs the control mechanism to reduce the possible adventure behaviors of the agent after signing the contract. If the principal-agent model is applied to analyze the purchase of social services externally, the contractual relationship between the government and the social organizations is assumed to be established on the basis of lack of trust, in order to avoid the speculations of the social organizations, the government needs to control it with various management tools: such as the incentive and punishment mechanism, monitoring, reporting and evaluation system, etc. Relatively, those also constitute a transaction cost in the process of implementing the principal-agent relationship by the government. If needing to reduce this cost, it is better to establish a comprehensive contract and play the role of supervising, evaluating, rewarding and punishing the non-profit organizations through the rigorous contract management.

Stewardship: different from the agency theory, the stewardship is supported by the stewardship theory and permeates the contents of sociology and psychology. Mainly starting from the humanity hypotheses of the “social man”, it holds that the agent can be the trustworthy steward. They are driven by the community and achievement motivations to pursue the maximization of the owner’s interests, so their behavior has a tendency to collectivism (Davis, Donaldson, and Schoorman, 1997a, 1997b; Dicke, 2002). Therefore, the theory of the stewardship attaches more importance to cooperation than supervision and to the authority than control. It holds that the organizational structure and the governance mechanism should be fully authorized to implement the internal incentive mechanism, thus mobilizing the enthusiasm and potential of the agent. And, when the operator feels over-supervised, over-controlled and the unreasonable constraints, he would be frustrated, leading to the reduction of the efforts (Zhang Zhibo, 2008). Therefore, in the stewardship model, the contractual relationship between the government and the social organizations is established on the basis of mutual trust and common goals. It tries to make the material incentives as an aid and let the social organizations produce the sense of identity on them through the trust mechanism so as to coordinate the goals between them. Then, the social organizations are given full trust and full rights. The management means are mostly informal, including the reputation trust and mutual cooperation. The contract becomes a relational Contract to a certain extent become a relational contract to a certain extent, in which there is no clear definition of the relevant rights and obligations of the government and the social organizations. Trust rather than accountability mechanism becomes an important strategy in it. The government hopes to work with the social organizations to form the win-win strategic partnership through the joint problem identification, information exchange and the common solutions. With the stewardship, the ideal state is that the government and the social organizations achieve a perfect cooperation.

There are many differences in the purposes of conduct, the human characteristics and the governance mechanism between the agency theory and the stewardship theory, but regardless of the agency theory or the stewardship theory, the final act of both the government and the non-profit organizations comes from the two-way interaction. The agency theory holds that with the effectiveness maximization of both sides as the goal, the stewardship theory adds a consideration based on the trusting relationship. As an alternative theory emerging in the later period, the stewardship theory

emphasizes the game in the trust. Two management models have their advantages and disadvantages. The excessive distrust will lead to the improvement of the management costs while the excessive trust may result in the rigid contractual relationship and the constraints of competition. Therefore, the key is to achieve a balance between control and trust and make both choose different strategies and behaviors in the condition of information asymmetry to reach equilibrium (Jing Yijia, ready to publish)

Table2: Comparison between the Agency Theory and the Stewardship Theory (Zhang Huihua, et, al. 2005)

Dimension	Agency Theory	Stewardship Theory
Theoretical Basis	Economics and Finance	Psychology and Sociology
Humanity Hypotheses	Economic Man, Personal Opportunism	Social Man, Collectivism
Potential Relationship	Agency Relationship, Distrust	Stewardship, Full Trust
Interest Relationship	Competition, Either Strong or Weak	Win-win, Mutual Advocating
Incentive Means	External Material Factors	Internal Non-material Factors
Guideline for Governance	Control	Cooperation
Specific Methods for Governance	Limited Powers, Dual Governance Structure	Full Authorization, Monistic Governance Structure

4.2 Application of the Agency Theory and the Stewardship Theory in the Public-Nonprofit Partnership

There are the competitive purchase and non-competitive purchase in the process of the public services purchase by the government from the social organizations. The competitive purchase has two key elements: the first is the public bidding; the second is the purchase procedures and contract based on the contractual relationships of different objects (Xu Xiao, 2007). When the competition is applied to analyze the relationship between the government and the non-profit organizations, it can be discovered that the government is more inclined to cultivate competition in the principal-agent relationship. Hood (1991) holds that the public sectors develop

towards the more competitive direction, including providing the terms of the contract and opening the bidding procedure. Its rationality is that competition is the key to reduce costs and achieve the higher standards. It attaches importance to the management methods of the private sector and applies the verified effective management means in the private sectors into the public sectors. Under the principal-agent relationship, as the agent, the social organizations own many rights to autonomy and decision-making, have the right to speak in project management, enjoy the equal partnership with the government, and manage the contract with the principal-agent relationship.

The non-competitive purchase means the buying objects complete the purchase behaviors by designation, commission and consultation rather than bidding. The designated and commissioned object can be the social organizations with the official background or the civil grass-roots organizations. This non-competitive purchase always forms the stewardship. Under the stewardship, the government tends to establish the one-to-one cooperation relationship with the social organizations within the system, and the non-profit organizations just play the role of the project management for the government with less rights of disposition or bargaining.

The principal-agent relationship is widely used in the U.S. The cooperation model of the partnership between the public and private departments is typical there. All levels of governments in the U.S. provide the residents with the community services through buying the services from the non-profit organizations. 50% of the spending on the social services by the federal government is for the nonprofit organization. The non-profit organizations can obtain the service varieties supported by the public funds through signing the contract with the government, including day care, upbringing, the protective services for children as well as the community services for the mental patients and people who increasingly lose their living ability. Other services like shelter, counseling, job training, protecting the battered women and the discriminated children are provided by the cooperation between the government and the non-profit organizations.

That the principal-agent relationship is widely applied in the U.S. is inseparable from its sound civil society. The U.S. has a set of mature system to nurture the social organizations, mainly reflecting in the tax preference and financial support. In the tax policy, the U.S. mainly applies the preference of the federal tax laws to reduce and exempt the donation to the non-profit organizations or let the institutions and

individuals who donate money to the non-profit organizations enjoy the tax preference. Article 501 of the U.S tax code summarizes 25 types of non-profit organizations which are qualified for tax exemption. Almost all the non-profit organizations are free of the state and local property taxes and sales tax. In addition, some states in the U.S. also set some preferential taxes for the non-profit institutions. For example, the tax law in California, tax-exempt status of nonprofit institutions, and can also be exempted from excise tax provides that the non-profit organizations who are qualified for tax exemption can enjoy the consumption tax exemption. A sound system of civil society provides a basis for the establishment of the principal-agent relationship.

The services purchase in China is attributed to the state economic department's focus on the privatization. Meanwhile, it is more dependent on the particular reform environment in China (Jing Yijia, 2007). Compared with the United States, the non-profit organizations providing the social services in China have not been mature. Their typical characteristics like autonomy, voluntariness and independence have not been fully demonstrated. The non-profit organizations in China are developing in a special path. In China, the social organizations are developing under the guidance of the government. They are the product of the political system reform. Under the planned economic system, they are a subsidiary of the government and exist as the tool for government to manage the social affairs. Their value lies in the faithful implementation of the government's policies and completion of the social management task given by the government. Usually, the leaders of these social organizations are appointed by the government. It is the only criterion of evaluation to perform the functions conferred by the government, which results in the lack of voluntariness. With the improvement of the market economic system, the government gradually promotes these organizations to the society, but the government still controls and intervenes in the goals, person in charge, personnel arrangement and technical means of the social organizations. Although many non-profit organizations serve the public, their administrative color is still strong. In the power, these organizations depend on the government to enjoy the state complement, exercise the administrative functions, get the national budget and even own the executive level.

The lack of independence of the social organizations is also reflected in the process of its establishment. The existing *Social Group* provides that the establishment of the social organization must be checked and approved by the

authority in charge, which will inevitably lead to the external interactions between all kinds of social organizations in the independent dominant position of different degrees and the administrative department or other organizations, mainly in the form of the business manager to produce relationships with the government. Although the authority in charge is sometimes indirectly involved in the activities of the social organizations, since the personnel arrangements, funding sources and the activities are largely dependent on the leadership of the business department, the government has the ability to lead and regulate the social organizations. The special status of the non-profit organizations in China has led to its lack of independence and become an extension of the government agencies.

Influenced by this special status, the public departments and the nonprofit departments form a stewardship relationship. Cooperation between them is established through the non-competitive way. The contract based on the non-competitive way is formed on the basis of the existing social capitals or associations. The specified trust is the direction of the follow-up cooperative behaviors between the government and the non-profit organizations. Since the social organizations are cultivated by the government in order to complete its social functions, for the public sectors, this cooperation relationship has a monopoly but lacks autonomy. It grows up under the care of the government departments. This public non-profit partnership is a one-to-one cooperation relationship. When having the demand for the services, the government usually direct assigns the services to the social organizations with the cooperation relationship, which is unfavorable to the development of organizations outside the system. Even for the organizations within the system, because of its dependence on the government, it will lack the embeddedness of the community. Although this stewardship that the grass-root governments buy the public services from the social organizations reduces the transaction costs and uncertainties based on the mutual trust, once any party deviates from the objectives of the social services, it will lead to the negative results. Since the grass-root governments have other functions in addition to the social services and the social organizations have become the extension of the grass-root governments, within the system lack of independence, the social organizations generally complete some administrative tasks with the coordinating attitude, making their partnership deviate from the objectives of the social services. Meanwhile, due to the lack of a clear contractual relationship, the government promotes the tasks by instructions, which

makes the social organizations difficult to provide the social services, strengthen their own capacity building and expand the size and capabilities of the organizations independently.

A series of abuses brought by the public nonprofit relationship under the stewardship relationship have been gradually recognized by the government. As mentioned above, currently, the major difficulties of the social services purchase by the government include the imperfect system and lack of competition, which is inseparably associated with the stewardship management on the nonprofit organizations for a long time. The cultivation of a sound and independent social organization has been drawing more and more attention and the key of it is to liberate the stewardship relationship between the social organizations and the government and give the social organizations more space for development. The liberation of this stewardship relationship is manifested in the following practice:

(1) The establishment of the social organization hatching practice base in the provinces, municipalities, and even the districts, aiming to practically cultivating the capacity of the social organizations and get rid of its administrative dependence.

In recent years, a heat wave of cultivating the capacities of the social organizations have set off nationwide. In June 2010, Shanghai established a social innovation incubation park, hatching and looking forward to a batch of models of social organizations. Beijing Social Organization Incubation Center was inaugurated in 2010. The small and medium-sized social organizations and those in the embryonic stage providing the all-round supports and services are usually operated by a professional team. The specific contents of supports and services include office space, office equipment, capacity building, policy counseling, registration assistance, and so on to promote the social organizations and community projects grow as quickly as possible and play their roles. Department of Civil Affairs of Guangdong Province is also actively applying for the establishment of the provincial social organization support foundation and incubator base.

The establishment of various types of incubation organizations embodies a philosophy of the government: the professional and independent social organization will determine the results of the social services provision, so the professionalism and independence must be encouraged and cultivated consciously. This philosophy even extends to some districts. On April 16th this year, Hongkou District in Shanghai establishes the social organization incubation practice base. 18 social organizations in

the early stage entered the base to accept the trainings of all aspects like regulations, policies, professional skills, etc. Each 10 million yuan of special funds for the development of the social organizations and for the community personnel development set up by the district financial department were also initialized. The former was to provide the matching funds for each street to purchase the services from the social organizations and the latter was to cultivate the professional leading talents in community building and the development of the social organizations.

The establishment of various types of incubation organizations provides an independent platform for the development of the social organizations to allow them to get rid of the shackles of the stewardship relationship to a certain extent, recognize their public service mission and cultivate their capacity of providing services independently. It is worth mentioning that the new policies implemented by Hongkou District in Shanghai regulates the special funds in the ratio of 1:1 for the services purchase by the street from the social organizations within the district and 1:1.5 for the services from the social organizations outside the district, implying the innovative concept of cultivating competition. The open attitude to welcome the social organizations outside the district reflects the rejection of the competition failure of the stewardship relationship.

(2) Reduce the threshold of establishing the social organizations

Under the stewardship relationship, the social organizations suffer the administrative interventions of the business manager inevitably. Many social organizations become the black ones because they can not find the business unit to match and get the legitimacy. This registration policy of the authority in charge also makes the social organizations produce a serious government-dependency. To a large extent, the social organizations will lose their own service mission and deviate from the goals of the public services because they become the steward of the authority in charge.

In order to liberate this stewardship relationship and make more grass-roots organizations liberated, the government also has explored a number of ways and means in practice. Reducing the registration threshold for the social organizations becomes the focus of the theories and practices. Beijing first reduces the registration threshold for the social organizations. Since 2011, Beijing gives the green light to the registration and approval of the society organizations, opens the approval of establishment of social organizations in business and economy, public charity, social

services, etc., implements the direct registration by the civil affairs department, establishes the green channel of one-window approval and provides the one-stop service to handle the registration business for the social organizations, so as to thoroughly solve the difficulty of finding the authority in charge, which is a major breakthrough in the social management innovation. Hence, the vitality of the social organizations to serve the community building will be fully released.

(3) Limit the identity of the management personnel of the social organizations.

This was also implemented first in Beijing. After 2011, Beijing regulates that when registering and approving the new social organizations, the management personnel should exclude the civil servants of the party and government institutions and the workers in the institutions with reference to the management of *Civil Service Law* in principle to strictly control the civil servants of the party and government organs and the workers in the institutions with reference to the management of *Civil Service Law* to do the part-time job. This policy liberates the stewardship relationship between the government and the social organizations from personnel, keeps the government and the social organizations at a distance and plays the role of cultivating the social organizations.

(4) Establish the eco-chain for the growth of the social organizations simultaneously

In order to get a good development, the social organizations need a complete ecological chain, that is, more supportive organizations to support them, such as the financial support institutions (foundations and various types of funds), professional support organizations (charity industry association, capacity-building institution, public training institution, public research institution), network support organizations (federation, federal union, umbrella organization), and so on. For this, the municipal-level federation mechanism of the social organization has been established to play a role of communication, coordination and intermediary to help cultivate the functions of the social organizations and really implement the new model of self-management, self-service, self-discipline of the social organizations. The federation should be good at acting as a go-between to build the platform for the social organizations to exchange information, disseminate knowledge, share experience as well as cooperating with the political society, social society and corporate society.

Since 2008, the government has been constantly strengthening the intensity of cultivating the social organizations. A strong trend of reform can be felt and a series of

reform measures are introduced, aiming at perfecting the non-governmental forces and improving the professional competence of the social organization so as to provide better social services by cooperating with the government.

This wave of reform is intended to liberate the stewardship relationship among the public-nonprofit organizations and cultivate the sociality of the social organizations to avoid them to be the o government, however, strong policies, whether the implementation of how the necessary time to go through the research. The new policy brought new tasks for the second-level government. However, despite the issue of the policy, its results must be verified by the time. The new policy brings new tasks for the government, and it is necessary to build the corresponding ability to adapt to the public-nonprofit partnership which has got rid of the stewardship relationship. Although the liberation of such stewardship relationship seems a radical reform revolution, the final effectiveness will be influenced by many institutions and systems outside the institutions.

Shanghai's idea of buying the social services is also affected by the reform trend of the public social organization relationships. In 2009, Shanghai Municipal Government began the implementation of the public service bidding project and introduced the competitive bidding system innovatively, aiming to cultivate the professional capable social organizations, so as to provide the social services more effectively. Funding allocation changes to be funding attraction to introduce the competitive contract. The provision of the social services is changed from the administrative order to the project management. The relationship between the government and the social organizations is also looking forward to be transformed from the stewardship relationship to the principal-agent relationship. Based on the study of Shanghai Public Service Bidding Project, this paper will explore how the relationship between the government and the social organizations is reconstructed in this process and how the government manages the public-nonprofit partnership. Through the introduction of the consideration of intergovernmental relations, it analyzes the difficulties the government at a higher level encounters in the reform and the factors that hinder this transition, trying to provide some ideas for the implementation of the government's public service bidding project as well as the ways to cultivate the social organizations for reference.

5. The Establishment of the Community Public Service Bidding Platform in Shanghai

5.1. The Background of the Establishment of the Public Projects Bidding Institution

Nationwide, due to the high economic development level in Shanghai, the resulting social problems are more. The diversity of the community service demands and the breeding of the services for the aging people have made the original resources of the government unable to meet the increasing demands, resulting in the ineffectiveness of the original government monopoly in providing the social services, so it is necessary to develop the service-type social organizations. Hence, the government began to cultivate and establish the social organizations in a large number. In recent years, the structure of the social organizations in Shanghai has been continuously optimized, and their service functions have been continuously enhanced, playing an important role in stimulating the economic development, promoting the transformation of government functions and accelerating the development of social undertakings. Till March 2011, there are 9977 registered social organizations in Shanghai.⁵ Among each ten thousand people in Shanghai, there are seven social organizations, 2.7 more than the national average number. The total assets of the social organizations in Shanghai are approximately 42.392 billion with 0.2012 million staff, including 0.1244 million full-time staff, accounting for 61.83% of the total. The cultivation and supervision of the social organizations has become a new subject for the government.

As mentioned previously, it is the stewardship relationship between our government and the social organizations. The social organizations with the nature of service are essentially the extension of the government agencies and receive the administrative intervention and task delegation by the grass-roots government. Under this relationship, the social organizations become the super steward for the government. Since the social organizations need to rely on the government funding and guidance, they have lost some original autonomous function and worked within the boundaries of the administration at best (Jing Yijia, ready to publish).

The stewardship relationship leads to the close link between the grass-roots government and the social organizations. *Regulations for Registration and Management of Social Organizations* (adopted in 1998) provides that the civil affairs

⁵ Data Source: Jiefang Daily, April 12, 2011

department of the State Council and the civil affairs department in people's government of all levels above the county level are the registration and management organs of the social group. The registration and management authorities and the authorities in charge have the supervision and management responsibilities. It also provides that the social organizations must implement the financial management system regulated by the state and receive the supervision of the financial department. The assets from the state appropriation or social donation shall be subject to the supervision of the audit organs. Under the system of having the authorities in charge and the registration management units, the autonomy of the social groups is curtailed. From the point of view of funding sources, as the funding for our non-profit organizations is mainly funded by the government (Table 3), and foundations, social channels to raise funds and other channels are limited by the government, the non-profit organizations have to rely on the government for funds and do things for the government. From the resource, on the one hand, the development of the social organizations with the nature of service is difficult to be trusted by the government; on the other hand, because of its community-oriented services, the public also distrust them. Without the government background or the coordination by the government, the purpose of this service activity will be questioned by the public, reducing the service efficiency. Therefore, the limited resources and the particular development process of the social organizations make the social organizations produce a strong dependence on the government, which develops to be the government-operated non-governmental organizations.

Table 3 The Average Revenue Structure of the Non-profit Organizations in China in 1998 (Deng Guosheng, 2001)

Revenue Type	Proportion	Order
Membership Fee	21.18	2
Operating Revenue	6.00	3
Fiscal Allocation and Subsidy by the Government	49.97	1
Project Funds by the Government	3.58	6
The Autonomous and Project Funds by the International Organizations, the Foreign Governments and Other Organizations	1.64	10
Sponsorship and Project Funds by the Enterprise	5.63	4
Financial Support and Project Funds by Other Domestic Foundations	0.50	12
Donation	2.18	7
Capital Operation	1.21	11
The Individual Sponsorship by the Particular Members except the Membership Fee		

	1.98	8
Loan or Debt	0.28	13
Surplus Funds of the Previous Year	1.83	9
Others	4.14	5

Due to the drawbacks of the organizations within the system, despite a large amount of funds by the government to support and construct the social organizations, the ability of the social organizations has no effective development in reality. Since the funds and other resources outside the system can not be gathered, the social organizations are inhibited greatly in functions outside the administrative boundaries. To survive, they must build a solid relationship with the grass-roots government; therefore, the organizations outside the system will also take how to build a solid relationship with the government on the path of development as the first consideration. They adopt a cooperative attitude, place themselves in a disadvantageous position in partnership and act passively for the policies and object of the services and even the entire service process design. Due to their dependency on the financial support of the government, those GONGOs' enthusiasm is inhibited slowly. Even the organizations with the development vision before spend their powers in the passive reality. To get development, it is the necessary means for them to actively cooperate with the grass-roots government to complete the tasks. Then, these social organizations evolve to be a management tool for the grass-roots government. Because they take the cooperative attitude, and the grass-roots government is dependent on them in providing the social services when trusting them, the both gradually form a silent convention, which makes the provider partner of the social services more closed.

The closed partnership makes the contract management reduce to be a form. The silent convention of cooperation let the government and the social organizations reach a compromise in the provision of social services in which the social organizations have very limited influences. The special growth path of the social organizations has been difficult to help them achieve the return of their social attributes. At this time, their preference is equivalent to or is forced to be equal to the preference of the government. When the government's objective deviates from the public interests, the service nature of the social organizations will also be distorted and changed.

To restore the original appearance of the social organizations, it needs to find a way to help the social organizations change their growth path of strong dependence on the grassroots government and establish a new mechanism of cultivation to make the social organizations live up, exercise their capacity of spontaneously providing the

social services and motivate the enthusiasm of civil social organizations. The public project bidding platform is set up in this context.

In the previous fund allocation system, it is the grass-roots government's responsibility to provide the community-based public services.⁶ The grass-roots government enjoys the rights to financial decision-making and supervision. The government at a higher level is difficult to play an effective role in the funding interventions of the public services, just giving some guidance on the policy at most. Therefore, the financial power is concentrated on the grass-roots government, and the government at a higher level has limited supervisions on whether these funds are applied into the provision of social services effectively. Thus, with the idea of re-centralization of power, the municipal government intends to strengthen the local capital controls, undertake the provision of some social functions appropriately and enjoy the right to allocating a certain amount of funds. The public service bidding projects issued by the municipal government make the government at a higher level involved in the process of fund payment of the public service bidding projects, greatly increasing the dependence of the grass-roots government on the municipal government, making the municipal government strengthen the centralization control of the finance, and including the effectiveness of the implementation of the bidding projects in the assessment of the grass-roots government's performance in the social services functions.

The establishment of the public service bidding platform has changed the grass-roots government's role of the only principal. The joint allocation of funds makes the government at a higher level become another principal of the project. Through the supervision of funds, the government at a higher level directly intervenes in the link of the social services purchase and implements more regulations and interventions on the grass-roots government, intending to distance the grass-roots government from the social organizations. Higher levels of government attempt to transform the relationship between the grass-roots government and the social organizations through this policy intervention break the closed stewardship cooperative relations and introduce the principal-agent relationship to provide the competitive opportunities for the grass-roots organizations outside the system or other social organizations and achieve the purchase of cultivating the social organizations.

⁶ The grass-roots government refers to the district, county and street governments.

5.2 The Implementation Mechanism of the Public Project Bidding

In May 2009, Shanghai formally implemented the policy of the public project bidding. Leading by the Municipal Civil Affairs Bureau, 50 million yuan was allocated from the public funds of the welfare lottery for the public project bidding. Various social organizations developed the bidding documents spontaneously according to their own resources and characteristics to win the funds by bidding, which was a measure to try the competitive purchase. The community public project bidding platform set up a series of objectives, such as cultivating the social organizations, improving the efficiency of the public funds from the welfare lottery and included four basic areas of caring the elderly, helping the poor, taking care of the young and assisting the disabled. (Table 3)

Table 3: The Implementation Mechanism of the Public Project Bidding in Shanghai

Work Objective	Project Field	Project Characteristics
.Cultivate the high-quality community public services projects	.Caring the elderly	.Public welfare
.Support the capable social public organization	.Helping the poor	.Professionalism
.Establish a public service project bidding platform with the social credibility	.Taking care of the young	.Community
.Form a set of public service project bidding management and evaluation mechanism	Assisting the disabled	.Economy
.Improve the social and using efficiency of the public service projects supported by the public service funds of the welfare lottery.	Other Community Public Service	

The funding of the public projects bidding is jointly invested by the municipal and district civil affairs bureaus with the welfare lotteries from two levels of public welfare funds (each 50%) and used in proportion to co-fund the community public service projects. The main flow is as follows:

① Project determination and bidding: the district and county civil affairs bureau submits the public project participating in the bidding to the municipal civil affairs bureau in accordance with the actual demands. After approval, the municipal civil affairs bureau determines the prepared funding public projects or scope. The municipal civil affairs bureau issues the public project bidding catalogue and bidding

requirements to the society through the media and websites.

② Shanghai Community Service Center⁷ determines the bidding method according to the specific features and actual needs of the bidding project and publishes the invitation to bid in the appropriate scope. After the public notice procedure, the municipal community service center reports the publicized assessment results to the municipal civil affairs bureau for approval in writing.

③ Project implementation: the municipal civil affairs bureau gives the administrative approval on the assessment results. If being approved, the district and county civil affairs bureau signs the administrative contract with the organization which wins the bid and receives the funds and reports it to the municipal community service center for record. The municipal civil affairs bureau allocates the public welfare funds of the municipal welfare lottery to the district and county civil affairs bureaus and let them pay it according to the administrative contract.

④ Evaluation and supervision: the district and county civil affairs bureaus supervise the whole process of the project implementation according to the project to ensure the progress of the project and the quality of the service. The municipal, district and county civil affairs bureaus can authorize the social audit department to audit the project to ensure the safety and reasonability of the project funds use. The organization receiving the funds support summarizes the work and submits the project completion report. The municipal, district and county civil affairs bureaus commission the municipal community service center or independently organize and carry out the audit of the funding project and the performance assessment.

Since the start of the project to May 26th, 2010, there are 23 bathes, totally 144 projects carrying out the bidding work, in which 128 projects win the bid and 16 projects fail in bidding.⁸ The research of the entire public service bidding process is based on the following aspects: (1) for the projects winning the bid, the social organizations do a six-month field research to observe and analyze the process of the implemented projects and thus have a in-depth understanding of the implementation situation of the social organizations. (2) release the questionnaires to the person in

⁷In the bidding process, the Municipal Civil Affairs Bureau entrusts Shanghai Community Service Center to be responsible for carrying out the bidding work of supporting the public service projects by the public funds of the welfare lottery. As the working platform of the community public service project bidding, the municipal Community Service Center is mainly responsible for the bidding working proposal, the bidding process, design of the bidding document samples, the process of the bidding work, the specific implementations of each link, the evaluations and approval of the bidding projects. Meanwhile, it assists the departments in charge to supervise and evaluate the process of the funded projects and assess the implementing effectiveness and benefits, deals with the reception work in the bidding site, and provides the window services and the website and telephone consultation services of the community public service bidding.

⁸ All data are from Shanghai Public Service Bidding Website: <http://www.gysq.org/SQGY/Web/Default.aspx>.

chare of the successful organizations to understand their feedback on the implementation situation of the public service bidding projects. (3) interview several persons in charge of the social organizations to see their ideas of the problems existing in implementing the public service bidding or the implementation situation. (4) The central level of the community service center keeps close contacts and interviews with the persons in charge of the community service center to learn about the latest policy of the public service bidding work and the related information. (5) each district and county civil affairs bureau level have a interview with the relevant leaders of the public service bidding projects in 17 district and county civil affairs bureaus to look at some innovations in the public service bidding projects and the establishment of the cooperation relationship between the government and the social organizations from the government level. A lot of original information is obtained from those studies, which lays a data foundation for the paper to study the management practices of the government in the project.

6. Government's Management Responsibility in the Public Service Bidding

6.1. The Respective Management Functions of Two Levels of Government

A range of aspects claim attention in the competitive contract management. The management of the government should involve both the contract execution process and the stages before the establishment of the contract (Jing Yijia, ready to publish). Based on the structure of two levels of government and tree levels of management system in Shanghai, the government at a higher level and the grass-roots government have different functions in the bidding process due to the differences in roles and objectives. Next, they will be discussed separately.

(1) The management functions of the government at a higher level: establishment of the centralized management system

In general, the government at a higher level is responsible for the establishment of the centralized management system in the public service bidding. Specifically, this function includes the following details:

- a) Develop the appropriate policies and regulations, establish the contract and allocate the funds;
- b) Establish a central management system with the bidding platform in the community service center as a core;
- c) Train the communities and the social organizations for the rules of the bidding.
- d) Do the organizational work in project solicitation, review, bid opening and evaluation.
- e) Monitor and evaluate the implementation of the contract, and get rid of the possible conflicts between the bidding system and the larger institutional environment.

The community service center mentioned in the management functions is formed by six people to do the centralized management of the bidding projects. Commissioned by the Civil Affairs Bureau, Shanghai Community Service Center is the working body for Shang Welfare Lottery Public Funds Funding Project Bidding, specifically responsible for the research, guidance, application of acceptance and assessment. ⁹ Demand information dissemination, collection of the bidding

documents, bid opening and evaluation and results release are implemented by the subsidiary unit of the social service center authorized by the municipal Civil Affairs Bureau.

(2) The management functions of the grass-roots government

The district Civil Affairs Bureau is responsible for the centralized management of the contracts, proposing all the demand projects, signing the contract with the successful organizations winning the bid, managing and supervising the contract in the bidding projects, which is also the basis for the realization of competition and the objective contract management.

These are the basic settings of the public service bidding projects on the management tasks of two levels of government. However, there are difficulties in the performance of some management functions in the implementation.

6.2 The Managerial Situation of the Municipal Government and the Grass-roots Government in the Public Service Bidding

(1) The Managerial Difficulties of the Municipal Government

From the perspective of the entire bidding process, the municipal government is mainly responsible for promoting the establishment of the entire project bidding platform and building the central management system for the centralized management of the bidding projects. As Shanghai lacks the effective policy basis in the social services purchase area previously, the municipal government mainly pays efforts to establish the basic systems and functions and create an idealized system first, which results in many specific problems in the implementation of the management process. Some management tasks set before are challenged. In the funds allocation, due to the lack of coordination and communication with the municipal Finance Bureau laterally, there is no agreement between them, so the public service bidding plan in the next step is hindered. Longitudinally, the municipal government gives limited guidance to the grass-roots government in the implementation of the bidding and many district Civil Affairs Bureaus hold that the bidding documents are too cumbersome and lack the professional guidance and there is no clear rules for evaluation after the establishment of the project, which all bring obstacles to the grass-roots government in implementing the bidding projects. As the centralized management platform of the bidding project, the community service center becomes the core of the whole bidding

work as well as the key to the coordination between the municipal government and the grass-roots government as well as the social organizations. The municipal community service center also faces a series of management difficulties in the whole process, including:

a) The team of the social service center has not enough professionalism in the bidding work.

The social service center is newly established after the implementation of the public service projects bidding. It has six staff, including four from the institutions and two external employees. In fact, the public bidding is something new and the social service center is newly established, so it is difficult to implement the effective management on hundreds of projects. Considering from the professionalism, the community service center lacks knowledge in law, finance and psychology.

b) The social service center combines multiple roles in one but lacks the real authority.

The social service center is responsible for raising the bidding projects, designing the process of bidding and learning the feedback in the implementation of the bidding projects, playing a connecting role. Meanwhile, it also shares much work of the bidding system construction (including the recommendations of the project audit and tracking of the bidding process). There is a great dilemma in the team management of the social service center. The whole organization combines many roles in one but lacks certain substantive authority. Due to lack of the real power, the grass-roots government attaches less importance to various tasks in the bidding and delays the progress and actions, leading to the obstacles to the implementation progress of bidding. For the function of supervision, the community service center has neither rights nor the supporting personnel and financial resources. For the interim report and the final acceptance report of the project implementation, due to lack of professionalism, it is difficult for the social service center to give the effective feedback. Therefore, the implementation of the bidding has not been effectively supervised.

c) It is difficult to ensure the stability of the review in the process of bidding and evaluation.

The bid evaluation experts for the public service bidding are generally composed of five people, including the representative of the demand party, the representative of the public and three experts. The representative of the public is served by the staff of

the National People's Congress, CPPCC or Discipline inspection department. In the review process, since the experts have no criteria for reference, whether the social organizations can win the bid successfully is random and instable. At the same time, experts have a little understanding of the bidding documents, so they just judge the bidding documents based on the expressions of the demand party. Additionally, since most projects show the accompanying-bidding phenomenon, and the pros and cons of the bidding document are very clear. Therefore, the entire review process is more inclined to the orientation of the demand party and the review process is merely a form.

(3) Lack of management of the government at the grass-roots level

Ideally, the district Civil Affairs Bureau is responsible to manage the contracts in the bidding projects, proposing all the demand projects, signing the contract with the successful organization winning the bid, managing and supervising the contracts. After the exit of the bidding work, the district Civil Affairs Bureau sets up the appropriate leadership and working groups. The deputy secretary, the chief of the grass-roots government or the director of the office plan and coordinate the work, intending to implement the project management. However, although the grass-roots government joins in the implementation of the bidding with a positive attitude, the management effect is unsatisfactory.

a) Limitations of demand definition

The bidding is a new thing and the grass-roots government is on the stage of gradual adaption. It makes the further organizations and promotions of the activities having been or ready to be implemented in the district and street level. The specific proposing method includes the centralized project proposition by the functional department in the district Civil Affairs Bureau, the joint proposition with other district government organizations, or propositions by the street and town government. The districts generally feel that the tender documents are too cumbersome and have the problems of insufficient social organizations. In the process of demand definition, there are still the service situations of dislocation of the realities and giving priority to the social organizations within the district. There are some differences with the actual demand by determining the demand from the supply.

b) The expected competition of the bidding is not exposed.

The public service bidding policies regulates that a project will automatically fails in bid invitation if no at least three bidding organizations participate in it,

therefore, the phenomenon of the accompanying bid is very common in the process of the public service bidding projects. Despite the competitiveness in the form, it results in many phenomena of accompanying bids. Most successful organizations winning the bid are determined by the grass-roots government. Of the research of 127 organizations winning 127 projects, only two organizations say that they have no cooperation relationship with the grass-roots government before and the rest all have close contacts with the grass-roots government. Furthermore, based on the analysis of the competitiveness of the bidding projects, from the bidding results, the majority of the successful organizations winning the bid are the district-level ones within the district where the district projects are in or the street ones in the street where the street projects are in. The phenomenon of cross-administrative bidding is very few (only four), the cross-street project bidding within the district is only one, and the success rate is less than a half of that in the administrative district, reflecting the limitations of the competitiveness in the bidding project.

c) Contract management failure

The key to the management of the social services is the contract management. However, in the actual process of bidding management, the effectiveness of the contract management is limited. The execution of the contract management is mainly demonstrated as follows: the district-level project integrates the counterpart department management and the department management in charge of it in the civil affairs bureau; the street project integrates the counterpart department management in the district Civil Affairs Bureau and the street government management. The limited management resources make the management of the project by the district Civil Affairs Bureau mainly based on the active report and mid-term review of the implementing organization. However, the demand party and the supervision party are largely served by the grass-roots government. Due to the limited energy and resources of the grass-roots government as well as its unwillingness to do the contract management mentioned below, the contract management is basically null and void.

7. Difficulty Analysis of the Public Service Bidding System: Reform from Stewardship to Agency

As analyzed in the previous part, despite the clear set and division of the responsibilities for the government at a higher level and the grass-roots government, those responsibilities are not well performed in reality. The original main purpose of bidding was to change the relationship between the grass-roots government and the social organizations from the trust-based stewardship relationship to the contract-management-based principal-agent relationship, give more free space to the social organizations for development and return their sociality, thus cultivating the social organizations effectively. However, such reform encounters obstacles in many aspects.

Due to the goal differences of the municipal government and the grass-roots government, their roles of being a principal are significantly different, so the intergovernmental relations must be introduced to measure the implementation results of the public service bidding. In the process of policy implementation, the government at a higher level expects to establish the partnership with the grass-roots government to form the seamless cooperation and have a common, thereby maintaining the consistency of actions. In fact, this vision is difficult to be achieved.

The development of the partnership relations between the vertical levels of governments is usually in the policy areas where less intergovernmental interest conflicts happen and the central government gives the local governments considerable resource supports (Zhang Zhihong, 2005). In the bidding projects, the government at a higher level gives limited resource supports and other incentives to the grass-roots government, so it is prone to conflicts of interest and deviations of targets. In addition, for the local governments in favor of centralization, in order to promote the development of partnership relations, it is more likely to increase the chances of the conflicts in the intergovernmental vertical relationships. In the introduction of the public service bidding project system, the municipal government masters the dominant power of the institutional innovation and rules development while the grass-roots government can only play its initiative in the system gap. The gaming positions of both are unequal. Therefore, the grass-roots government is in a weak position. The passive cooperation in policy implementation increases the instability of the cooperation relations with the grass-roots government expected by the government at a higher level. It is possible that the bidding projects make the officials in the

grass-roots government no longer in the stable working environment but suffer many unprecedented pressures due to the regular assessment system under the requirement of performance orientation, efficiency first and customer foremost. Hence, it is not the partnership-system flexible development but the political interference of the government at a higher level on the grass-roots government in the name of flexibility that involves in the reform process. It will be conflicted by the grass-roots government. However, due to its weak position, these conflicts are performed to be the goals and behaviors burnout of the government at a higher level and the un-cooperating actions. As previously mentioned, the grass-roots government fails to fulfill the duties of the contract management well, and the public service bidding has no expected competition and specific supervision on the projects, which all produce obstacles to the next development of the bidding. It is beneficial for the better interpretation of the behavior mode of the grass-roots government by considering the government at a higher level and the grass-roots government as two different subjects from the perspective of the intergovernmental relations and researching their behavior mode on the new public bidding system policies from the point of view of their interests.

In the early stage of establishing the cooperation relationship, the government at a higher level introduces the competitive system through the public service bidding projects to confirm the partners of the government. With the policy intervention, it intends to change the closed cooperation relationship under the stewardship relations to be the open competitive bidding relationship based on the contract-management principal-agent relations to bring opportunities to the social organizations outside the system, liberate the original one-to-one monopoly cooperative relations and introduce the efficiency of competition. When the government establishes the cooperation relationship with the social organizations, the management is changed from the original informal one to the standardized contract management based on completeness and details and from the relational contract to the rigid contract management, which clarifies the formal rules for the relationship between the government and the social organizations, adds the accountability system on the working results of the social organizations, gets rid of the situation of administration integration between the grass-roots government and the social organizations and prevents it from deviating from the service objectives of the social organizations.

However, the mandatory introduction is not well cooperated because of the impact on benefits brought by the grass-roots government. The loss of these benefits

will result in the resistance of the government to bid in the case of no incentives, thus affecting the implementation effect. The loss of benefits brought by the bidding system to the grass-roots government is reflected in the following areas:

(1) Lack of financial incentives

The public service bidding mechanism regulates the municipal and district matching funds, each 50%. In some districts, the funds counterpart has the incentive effects while in some districts, the incentive effect of funding is not significant. Due to the different circumstances of each district, some districts think that 50% matching funds are still a large burden. At the same time, the funds are changed from allocation to raise, which actually enhances the municipal government's fiscal centralization. The change from allocation to raise does not increase the available fund amount to the grass-roots government, but the district government receives more supervisions and evaluations from the municipal government in funds using. In other words, its autonomy of funds using is intervened significantly.

(2) Project management brings the work burdens to the grass-roots government and makes it produce the psychological burnout.

Project management let the grass-roots government re-study the projects, define the needs and do the contract management. Meanwhile, it needs to coordinate and discuss with the social organizations about the bidding work. Facing the requirement of publishing the performance and projects by the government at a higher level, the grass-roots government also needs to prepare reports and evaluations. Many grass-roots governments are tired of it. For them, the reform of adjusting the stewardship relationship between it and the social organizations brings a series of costs, and eventually the organizations winning the bid may be the original partner. In this case, the introduction of this bidding system may be reduced to the time and effort consuming form at last.

(3) The stewardship relationship is challenged and the grass-roots government loses control of the social organizations.

Due to no real increase of funds or the public service bidding projects and the grass-roots government's first consideration of security issues on the public service bidding, the main thoughts of the grass-roots government are to reduce their responsibilities and complete the tasks successfully. In many districts, though the supporting funds are possible and in large amount, they would rather to give up the funds and report the appropriate number of projects which can be controlled

cautiously.

Those projects which can be controlled also lack the competitiveness. The organizations which finally win the contracts are basically those which have the stewardship relationship with the grass-roots government. This is because that the public service bidding makes the original closed cooperative organizations exposed to the competitive market due to the infiltration of the old system when implementing the new one. If these organizations can not win the final projects, their trust and dependence on the grass-roots government will be weakened. In the research process, the grass-roots governments generally hold that under normal circumstances, the organizations within the system win the bids. In the interview, the grass-roots governments say that lack of competitions is due to the following reasons: the immature development of grassroots organizations, the high threshold of cultivating the grass-roots organizations, and lack of trust in the grassroots organizations. And the deeper level of potential reason is that to the grass-roots government, the introduction of competition will increase its management costs, including supervision and cultivation. Meanwhile, once the grass-roots organizations replace the original ones within the system to win the projects, the grass-roots government will also face the plight of the run-in with them, and the original management capabilities need big adjustments, like adjusting the original vertical control relationship to be the horizontal cooperation relations. But, the grass-roots government lacks experience and confidence in managing such a level of cooperation relationship. Therefore, the competition is ineffective essentially. The grass-roots government is more eager to let the original cooperative society organizations to enter the bidding process and finally win the projects, thereby reducing the transaction costs of its cooperation with the unfamiliar organizations.

And, in the process of proposing the demand projects and selecting the cooperation organizations, most social organizations do not participate in the bidding process spontaneously but do it due to the promotion and guidance of the grass-roots government. The contractual relationship based on it is actually still the original business management relations between the demand departments and the organizations winning the bid. Therefore, it is ineffective in implementation and supervision of the contract management. Compared with the complete and rigid contract management, the grass-roots government and the social organizations still continue the relational contracts without the clear definition to a large extent. Since

the new system is infiltrated by the old system, the effect of the reform is limited.

It is reflected by the goal difference of the grass-roots government from that of the government at a higher level. Due to the large amount of transaction costs in management for the grass-roots government, it is more eager to maintain the existing stewardship management model. As the municipal government masters the dominant power in the institutional innovation and rules making and the gaming positions of them are unequal, the grass-roots government can only do the negative conflicting behaviors passively to maintain the existing control power of the stewardship of the social organizations. The negative conflicting behaviors are in the following areas:

(1) Relaxation in the contract management

Although the contract management of the public service bidding is strengthened compared with it in the system of fund allocation, since it is a brand new job and the contract is very simple itself, there are some adverse effects on the strict execution of the contract. For example, there is no clear regulation on the liability division and the accountability measures in the event of ineffective implementation of the contract or breach of contract.

When the relational contract in the stewardship relationship penetrates into the new system, even if the government purchase of service is introduced between the government and the social organizations to sign the formal service contract, the situations of deviating from the contract or replacing the objectives of the contract will happen regularly. However, the contract is not changed constantly as the legal basis. In the research process of the public service bidding projects, some grass-roots governments have even abandoned the contract management.

Even if the contract is clearly set, it is difficult for the grass-roots government to follow it. As the social organizations are basically involved in the bidding process with the attitude of completing the tasks, they will encounter a series of practical problems when formally implementing the contract. At the same time, because the bidding project is only a part of the tasks for the social organizations, and they have other cooperation relationship with the government, the non-profit organizations do not have enough time to concentrate on completing the tasks set in the contract. In addition, the grass-roots government is the partner as well as the supervisor and evaluator in the contract. Out of consideration of the relationship with the non-profit organizations, they can relax the assessment requirements and spend more energy on other tasks assigned by other grass-roots governments. Meanwhile, the government

enjoys the administrative prior rights in the implementation, modification and abolition of the contract. In the contract with the limited accountability, the stewardship relationship between the grass-roots government and the non-profit organizations continues and forms the common goals and expectations. In other words, as long as they complete the tasks stably without big problems, they have performed their duties. This psychological burnout makes the reform which intends to break up the relationship between the grass-roots government and the non-profit organizations into trouble.

(2) Set the administrative barriers for the organizations outside the system to enter the bidding competition

Taking into account the security of the project, the grass-roots government sets many barriers for the organizations outside the system to enter the competitive bidding. First of all, it is mentioned previously that the proposal of the project requirements is generally based on the services provided by the government organized non-governmental organizations or the expected development path by those social organizations, which is tailored. The resources required by the project or the scope of activities are concentrated in the organizations which have established the stewardship relationship with the grass-roots government. The proposal is sometimes completed by the non-governmental organizations while the bidding documents are sometimes completed with the guidance of the grass-roots government. Such hidden barriers let the organizations outside the system quit after learning of the difficulties. Moreover, the grass-roots government is reluctant to accept the competition from the outside subjectively, because it is unwilling to do things for others with its own resources. There are certain resources within the community which are controlled by the grass-roots government. In order to enter the community service, the organizations outside the system should figure out the intention of the government first rather than their own service abilities to win the trust of the government at the grassroots level. In the inter-district competition, these organizations also need to take into account the views of the grass-roots government in their own districts. No matter in the grass-roots government in their own districts or in their service places, this trans-district service delivery model is resisted by them.

Due to the different goals of the governments at a higher level and the grass-roots level, the reform will bring different benefits to them. Therefore, two levels of governments are gaming in the reform of the bidding system and the implementation

results of the bidding depend on the outcome of the game. The grass-roots government is in a disadvantaged position in the game. Although it will not take the initiative to resist, they still carry on the stewardship relationship in various systems to treat the reform policy negatively when managing the contractual relationship, which brings a lot of difficulties for the management of the government at a higher level. To get the recognition and co-ordination of the grass-roots government, the government at a higher level is bound to need more management costs, communications and coordination, but it faces a series of problems and difficulties to do it.

To obtain the support of the grass-roots government, the government at a higher level should first implement its own management responsibility and can not be blamed by the grass-roots government due to the lack of institutional design. When considering how to deal with the negative resistance of the grass-roots government, the government at a higher level should reflect upon its own system and lack of management capacity:

(1) Lack the appropriate knowledge of the social services bidding and the necessary understanding and preparation for the objective environment

There are many characteristics different from the commercial bidding for the competitive bidding in the field of the social services, so it is very complex. With the limited experience for reference and the inadequate researches and pilots, the bidding system design has defects. The system is designed from the ideal perspective, including the emphasis on competition and cultivation of the social organizations outside the system, however, in the practical operation process, it may overestimate the abilities of the governments at all levels and the social organizations in propaganda and mobilization, various contract documents writing, collection and audit of the project requirements, release of the bidding information, quality review, competition promotion and assurance, bid opening and evaluation, contract signing, management and evaluation and then falls into the practice plight.

When there are difficulties in the practice, the grass-roots government tends to find the reasons which can be attributed to from the process the government at a higher level involves in, which helps them shirk their management responsibilities and maintain the existing stewardship management model on the social organizations to a certain extent.

(2) Lack of the Relevant Systems and Policies

The implementation of the bidding needs the cooperation of various resources.

The actual result of this policy is the government centralization at a higher level, so the relevant management functions must be re-adjusted. Management needs to rely on the system. However, at present, funds allocation, project approval and the accountability of the contract all lack the appropriate supporting systems. Meanwhile, for the human, financial and materials in the implementation of the public service by the government at the grass-roots level, the municipal government does not give sufficient incentives and supports, which also leads to the grass-roots government's lack of initiative in implementing the public service bidding.

In addition, after the change from funds allocation to raising, the funds should be paid according to the contract, but many districts the change accrue to move funds payment shall be paid at a contract basis in the implementation process, many districts complain the delay of the funds, so they have to spend their own money or the project is postponed, which makes the grass-roots government's languid implementation of the public service bidding psychologically and strengthens the grass-roots government's negative resistance to the government at a higher level. Facing hundreds of projects, the social service center has serious defects in managerial and organizational capacities. Therefore, the government at a higher level needs to think more about how to build a central performance management system.

(3) The Pressure of the Intergovernmental Coordination

The pressure of the intergovernmental coordination exists in both horizontal and vertical levels. Horizontally, the municipal Civil Affairs Bureau faces the pressure of coordinating with the Finance Bureau and determines the disbursement of funds, tax and audit issues. The coordinating process directly affects the disbursement of the funds for bidding. Vertically, the government at a higher level faces the resistance of the grass-roots government. The resistance is reflected by laggard and indifference. At this point, the government at a higher level may get the cooperation by compromise. However, the grass-roots government still shows the wait-and-see and cautious attitude towards the government at a higher level at the beginning of the bidding. Among the total of 50 million yuan, only 20 million yuan is spent in the first year. The reason that the money does not be spent is that the grass-roots government just reports several projects which can be controlled out of consideration of safety and responsibility. In the policy interventions on the grass-roots government, the government at a higher level has no sufficient professionalism and lacks the practical experience, so the government at a higher level gives up the intervening capacity due

to lack of confidence and fear of worse results in many possible fields (such as the phenomenon of the accompanying bid).

In general, because of the penetration of the old system into the new one, the vision of the original non-profit partnership between the grass-roots government and the social organizations changing from the stewardship model to the principal-agent model expected by the government is achieved successfully. In the game with the government at a higher level, the grass-roots government applies a series of methods to protect the existing stewardship relationship with the social organizations. Despite the poor results, the public service bidding provides a correct direction for this change in the system design, and the speed of its implementation depends on how the government at a higher level faces and solves the management dilemma in essence.

8. Policy Recommendations

In the face of these management difficulties, whether the bidding mechanism can be implemented smoothly becomes a concern. The government at a higher level can feel the lack of cooperation and the indifferent mood of the grass-roots government, which brings them the pressure for reform and makes the government at a higher level realize that it must invest more management costs to change the relationship of the inter-governmental conflicts of interest, thereby letting the bidding system be carried out smoothly.

For the difficulties of the government at a higher level analyzed previously, the following solutions can be considered:

(1) The Perspective of the System Design

1) Further sort out the relationships of the parties involved in the bidding. Regulate the management responsibilities of the government at a higher level, the municipal social service center and the grass-roots government in systems, sort out their administrative privileges and define their respective rights and obligations. For the social organizations, each project they undertake should be carried out to the project leader to build a complete project management system and define the parities of implementation and evaluation and their rights and responsibilities.

2) Strengthen the budget management system and get the consistent guidance documents with the Finance Bureau in the public service project bidding. If the funds for purchasing the services are delayed to arrange, it is bound to affect the enthusiasm of the social organizations to provide services. At present, in the practices of various districts and counties, only several districts in the Pudong New Area have established the budget management system for the public services purchase. This system should be popularized all over the country to ensure the availability of funds.

3) Have a continuous mechanism. The government department's enthusiasm of buying the public services from the social organizations needs to be maintained. Although the government departments and the social organizations are the buyers and the sellers, the social organizations are in a relatively weak position in the bidding process. The government departments hold an ambiguous attitude towards the services provided by the social organizations and have no definite guarantee of defining the continuous system. In the bidding implementation next year, if the government decides to stop a contract or changes the public services provided by the social organizations unilaterally because of the efficiency, quality, or other reasons, as

the direct service beneficiaries, the public may be frustrated since they are deprived of the right. As they can not express their opinions on the delivery of the public services through an institutionalized channel, they are repellent to the government's decision. Therefore, to evaluate the good service projects, there should be a mechanism system to determine whether it can be continued, which is also a way to develop towards the public-private partnership for sustainable development.

4) Make a comprehensive analysis and summary of the relevant working experience in bidding. Promote some social organizations which have made outstanding achievements in the bidding work to other social organizations in the form of discussion and recognition, aiming to publicize their successful experience and expand the influence of the public welfare bidding work as well to attract more social organizations to participate in the bidding process and build a good platform for the mutual communication and learning, thus enhancing their organizational building capacity better.

(2) The Perspective of Dealing with the Relationship with the Grass-roots Government

1) Encourage the grass-roots government to cultivate competition.

Based on the implementation results in the first year, it can gradually increase the openness of the bidding projects. Now the most practical problem in the implementation of the bidding work is that the organizations participating in bidding activities have a very profound origin of cooperation with the grass-roots government. Despite the competitive bidding, the competition is invalid actually. The ideal model is to establish an open competition system. In the reality, since the relationship between the government and the social organizations is difficult to sort out and shows the closed bidding status, the existing government excludes the valid competition because of its relationship with the social organizations by virtue of its incumbent advantage and shows the phenomenon of the accompanying bidding or affiliation. From a practical point of view, the grass-roots governments all have some similar service organizations which provide the conditions for the inter-district competition. However, it is difficult to get the support of the department in charge as well as the relevant government in practice, so it faces many difficulties in the inter-district competition. Therefore, it is necessary to further encourage the grass-roots government to take an open attitude to the external social organizations, reduce unnecessary barriers in policy and take measures encouraging the inter-district

bidding and project undertaking. In the project design, it can encourage all districts to raise projects which are easy for the external organizations to enter in and form the competitive situation. Meanwhile, it can focus on the propaganda and encouragement of the districts which accept the external organizations in the city. The government at a higher level can consider investing more money in the projects with competitions and encourage the grass-roots government to accept the competition in various ways.

2) Guide the grass-roots government to strengthen the contract management and improve its contract management capacity.

It is necessary to make the contract become the fundamental basis and main starting point gradually for the principal (the government) to manage the contract implementation of the social organizations. At present, the management of the contract implementation of the social organizations winning the bid mainly relies on the formal and informal management relationship in the original system, which will become the obstacles to the deep development of the bidding project in turn. The contract management needs changing ideas to restrict the social organizations and let them establish the awareness of project management and the autonomy consciousness of cooperating with the government; on the other hand, it is necessary to restrict the government and leave more autonomy to the social organizations in the process of contract management when ensuring the funds, trying to avoid the cumbersome administrative procedures. As to the contents of the contract management, establish a more complete enforceable contract at first and strengthen the implementation of the contract for accountability. It means that when proposing the demand projects, the district civil affairs bureaus need the rigorous research to put forward the practical programs; it also means that various social organizations in the bidding must be committed to the contract. The specifications and seriousness of the contract need to be ensured and the improvement of the text needs further enhancement. For the execution of the contract, the government should be able to supervise, evaluate, reward and punish the successful organizations in bidding effectively based on the contract and take the effective measures when finding out the problems. For the contract management, the relevant management capability must be built up through training, personnel and position setting, establishment of jobs and fund supply.

(3) From the Perspective of Strengthening the Construction of the Social Organizations

Pay attention to cultivating the basis of the social organizations, try to reduce

the threshold of establishing the social organizations, take the initiative to cultivate the new social organizations, and expand the foundation of the social organizations. Meanwhile, gradually relax the control of the social organizations, give them more management rights, develop their competitiveness and sense of competition, including leadership, ability to perform their duties, human resource capacity, as well as the ability to communicate and establish relationship. (Wu Wei, 2008). Currently, the bidding project provides the opportunities for the cultivation of social organizations. However, the insufficient development of social organizations in quantity and quality also constitutes the direct obstacle to carrying out the bidding projects. Therefore, cultivating the social basis, encouraging the trans-regional and professional development of the social organizations, supporting the social organizations in policies by the government and establishing good channels of communication with the social organizations can help the social organizations continue to work with the defects in abilities. So, it is necessary to further promote the delinking between the government and the social organizations, regulate their relationship, further enhance the cultivation and support for the grass-roots social organizations, accelerate the development of the professional social organizations, and encourage and support the social enterprises.

9. Conclusion

Based on the exploration, there are two theories about the public-nonprofit partnership in the government purchase: the principal-agent theory and the stewardship theory. The principal-agent theory focuses on the public-nonprofit relationship based on the strict contract management in the social services purchase while the stewardship theory holds that the partnership starts from trust. In the exploration of the social services purchase by the government, different understandings are drawn from different perspectives on which relationship can improve the using efficiency of the funds for purchasing the social services and raise the service quality. Its core is to find a balance point between control and trust. The government needs to introduce the discussion of the intergovernmental relations when managing the public non-profit relationship. In the implementation of Shanghai public service bidding, the government at a higher level expects to change the relationship between the grass-roots government and the social organizations from the stewardship relationship to the principal-agent relationship through policy interventions. Since two levels of governments have different purposes in the implementation of the public service bidding projects and their interest conflict with each other, if the government at a higher level wants to introduce the competitive bidding system mandatorily, the implementation of the policy may receive the negative resistance by the grass-roots government and the non-profit organizations in the stewardship cooperation relationship. The game of two levels of governments in the public service bidding makes the mandatory radical system reform change to be the progressive reform in the countermeasures of the grass-roots governments. Although the interests of two levels of governments have been achieved to a certain extent, the original expected transformation from the stewardship relationship to the principal-agent relationship becomes slow and difficult. To let the bidding mechanisms play the role of cultivating the social organizations in a real sense, the most urgent task of the government at a higher level is to enhance its management capacities and invest the necessary administrative costs and co-ordinate the relationship between two levels of governments, because the final implementation results depend on the results of gaming between them based on their own interests.

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