

# Research on the Chinese Government Purchase of Public Services: Operation Mode, Restraining Factors and Improving Measures

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**Abstract:** In order to promote the administrative reform, the China new State Council makes a major deployment on the further transformation of government functions and improves the public services. It clearly required the local government should introduce more social forces in the field of public services and increase the efforts of the government purchases of public service. Based on expounding the related concepts and modes of the government purchases of public services, this paper summarized the practice project of the Chinese local government purchases of public services in recent years, and analyzed the main factors restricting the Chinese government purchases of public services. In the end, it puts forward some countermeasures and suggestions to improve the government purchases of public services, including perfecting the system construction of the government's purchases of services, strengthening the construction of the platform, regulating the procedures and processes, establishing the supervision and evaluation mechanism of the government's purchases of services and so on.

**Keywords:** Public Service, Purchase Methods, Restraining Factor, Improving Measures

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## 1. Introduction

In the early 1980s, the government purchase of public services as a new type of public service supply mode has emerged in the New Public Management Movement of western countries. The government departments conclude a contract with the enterprise or social organizations for the supply of public service by the social power. In china, the Shanghai government entrust the Luoshan citizen entertainment center to Shanghai YMCA for management in 1995. It created the precedent of the Chinese government buy public services from the social forces. [1] Since then, the China's local governments make a wide range of government purchase of public services in the areas such as pension services, community service, health care, poverty alleviation and development and so on. These explorations achieved rich results and summed up a diverse mode and operation mechanism of the purchase public service. The report of the 18th annual congress of CCP makes the "overall realization of equal basic public services" as an important content of the ambitious goals of build an all-round well-off society. And the government purchase of public services is an important measure for the realization of equal basic public services. In

September 2013, the general office of Chinese State Council issued the 《Guidance opinions of the government buy public services from the social power》. This put forward guidance and reference for the government purchase of public services. In this background, the research of the government purchase of public services is an important response to deepen the reform of administrative system; it is also an important measure to speed up the transformation of government function.

## 2. Summary of the Government Purchase of Public Services

### 2.1. The Concept and Operation Mechanism of Government Purchase of Public Services

The government purchase of public services means the government department according to certain methods and procedures to transfer the public services or products which offer directly by him to some qualified social organization to

complete, and the government according to the service effect to pay the fees. [2]

Government purchase of public services mechanism refers to the organization structure and implementation process of the government purchase of public services. It reflects the process and dynamic management process of the government

purchase of public services. A good public service purchase mechanism can reduce the supply of public service costs, improve efficiency and quality of public service supply, and ultimately achieve the goal of government administrative efficiency. The government purchase of public services mechanism is shown in the Fig. 1:

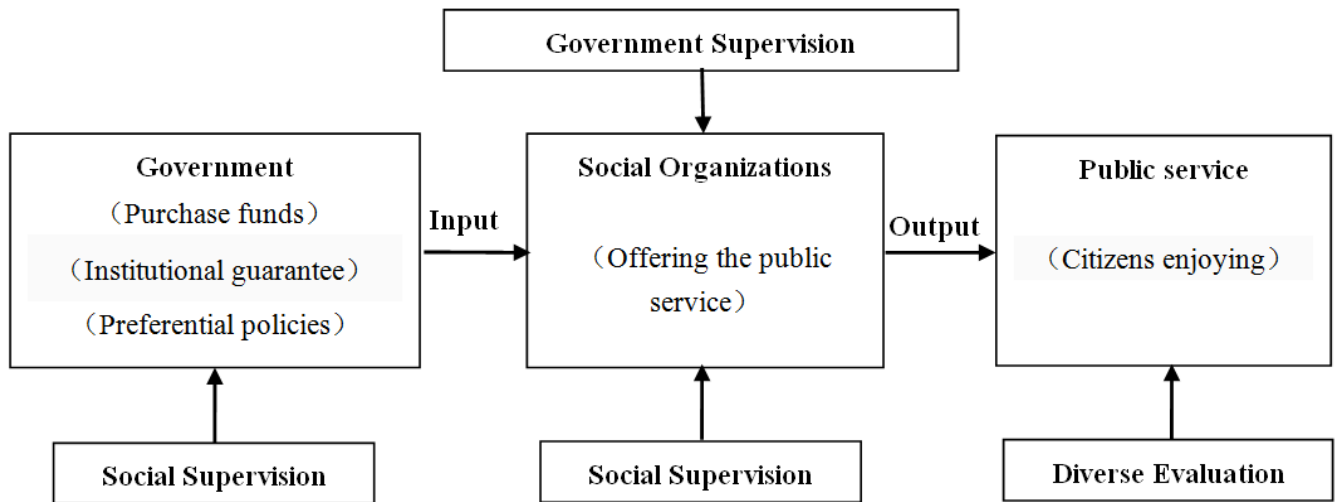


Fig. 1. the government purchase of public services mechanism.

As shown in the figure 1, the government departments on the basis of input "fiscal funds, institutional guarantee, preferential policies" offer public products and services through the production of social organization. The social organization should complete the supply of public production or services under government supervision and social supervision. The government is responsible for the multiple assessment of the public products and services which produced by the social organizations.

## 2.2. The Main Pattern and Competition Mode of the Chinese Government Purchase of Public Services

### 2.2.1. The Main Pattern of the Chinese Government Purchase of Public Services

According to the openness and payment of public services buying process, the current Chinese government purchase of public services pattern can be divided into: contract pattern, direct-subsidy pattern and project application pattern. Contract pattern refers to the government departments signed a service purchase contract with the social organizations. The social organizations will provide corresponding public services and the government departments pay the relevant expenses to the social organizations according to the purchase contract. Direct-subsidy pattern refers to the government department fund of money or material to the social organizations which undertake the supply of public service. It also can be a support of preferential policies. Project application pattern refers to the government departments design a specific project of public service demand, after a public bidding to the society, then the winner provide public service according to project requirement. Or the social organizations apply for public service supply project

according to the requirements of the public; they will get the support of project funding in this way. [3]

### 2.2.2. The Competition Mode of the Chinese Government Purchase of Public Services

According to the social organization is an independent relationship with the government or not and the purchase procedure is competitive or not, the current Chinese government purchase public service competition mode can be divided into: independent relationship competitive mode, independent relationship non-competitive mode and dependent relationship non-competitive mode. In the independent relationship competitive mode, the relationship between government and social organizations are independent. The social organizations have independent legal and social status and have no dependencies to government departments. The government departments take the way of public bidding to choose public service providers. In the independent relationship non-competitive mode, the relationship between government and social organizations are independent. When choosing public service providers, the government departments often take a non-competitive way insider of the way of public bidding. The government departments usually tend to choose the social organization which has larger scale and sound organization structure in order to reduce the risk of purchase. In the dependent relationship non-competitive mode, the social organizations which undertake the service supply is usually established by the government department for the tasks of purchase public service specially, the social organizations are subordinate to the government departments. Its' purchase procedure is directional and non-competitive. [4]

### 3. The Practice Exploration of Chinese Government Purchase of Public Services

With the rapid development of Chinese social economy and the continuous improvement of the government functions, the governments' public services supply capacity and pattern enhancing continuously. Part of China's local governments gradually explores the implementation of the public service supply to be socialized. But during this period they also face many restrictive factors.

#### 3.1. The Typical Cases of Chinese Local Governments Purchase of Public Services

Since 1995, the Shanghai government takes the lead in the practice of government purchase of public services from the social originations. In recent years, Chinese local governments make a wide range of exploration in the field of purchase of public services. It forms diversiform purchasing patterns. The typical cases of Chinese local governments' purchase of public services will show in the table1 :

**Table 1.** The typical cases of Chinese local governments purchase of public services.

Cases	Purchase pattern	competition mode	Funds Sources	Assessment methods
Putuo district government of Shanghai purchased of community service In 2003, Putuo Civil Affairs Bureau set up the "Community Service Center for Non-governmental Organizations" in the entire nine towns. The function of the service center involved party construction, community service, and employment service and undertook part of the social functions commissioned or transferred by the government.	Direct-subsidy pattern	Dependent relationship non-competitive mode	Government funds	Lacked of effective assessment
Gulou district government of Nanjing City purchased of elderly service Since 2004, the Gulou government through the annual budget input funds to the "heart to heart service center for the elderly" purchase of home-based care services annually. They create a "home-based care services network" in China and created a "home care as the main body, community elderly service as support, and institutions elderly service as complement" social elderly service mode.	Direct-subsidy pattern	Independent relationship non-competitive mode	Government funds	The service object did an assessment
Government of Jiangxi Province purchased of poverty alleviation and development services In 2006, the State Council Poverty Alleviation Office, Jiangxi Province Poverty Alleviation Office, the Asian Development Bank and the China Poverty Alleviation Foundation jointly launched the implementation of the "village poverty alleviation planning pilot project". Through carry out a public bidding to the domestic and foreign social organizations, they chose six social organizations from home and abroad. To provide villages poverty alleviation service for 22 key villages of 6 pilot township of Ningdu County, Le'an County and Xingguo County in two batches.	project application pattern	Independent relationship competitive mode	Poverty alleviation funds of Asian Bank	Professional assessment from the third party agency
Xuanwu district government of Beijing City purchased of elderly service Three ways of purchased of elderly service of Xuanwu district government in 2007. 1. The Public Service as tie to apply for projects, and through the application of association to provide elderly service; 2. Star membership pattern as home-based elderly care services center for. Included The welfare services of government purchase, charges service of individual purchase and volunteer services. 3. Take the senior citizen association as the platform and issued subsidies through the of service tickets.	Direct-subsidy and project pattern	Dependent relationship non-competitive mode	Government funds	Assessment by customer visits
Nanhai district government of Foshan City purchased of community service In 2010, the Nanhai district government input capital to make a contract with Guangzhou "Ren'ai" social service center to purchase community service. The specific content of services decided by "Ren'ai" social service centre on the basis of the actual situation.	Contract pattern	Independent relationship non-competitive mode	Government funds	Lacked of assessment
Xixiang district government of Shenzhen City purchased of urban management service In 2012, Xixiang district government purchased of urban management service from Shenzhen Xin Zirun Property Management co., LTD. Included community policing, clean and green city, environmental protection, public health service and emergency rescue work. In the second stage, the property company established a non-profit organization (Life Coaching) to provide specialized social assistance services.	Contract pattern	Dependent relationship competitive mode	funds of government and corporations	Governments made an assessment

#### 3.2. The Main Restrictive Factors of the Chinese Government Purchase of Public Services

Through the comparison and analysis of the typical practice of Chinese local government purchase of public services in recent years and the purchase of public service model, we believe that the current factors that constraining Chinese government purchase of public services is mainly manifested in the following five aspects:

##### 3.2.1. The Unbalanced Development of Social Organization Make the Platform Foundation of Government Purchase of Public Service is Weak

As the main subcontractors and organization platform of government purchase of public services, only the social organization have a certain service supply capacity can they better undertake the task of the government purchase of public services. Therefore, the development of social organizations

directly affects the implementation of the government purchase services. By the end of 2014, China have more than 602000 social organization, among which, social groups are

321000, foundations are 6549, civil-run non-enterprise units are 275000 (Fig. 2). Compared with western developed countries, this level is below average.

### The quantity and structure of China social organization

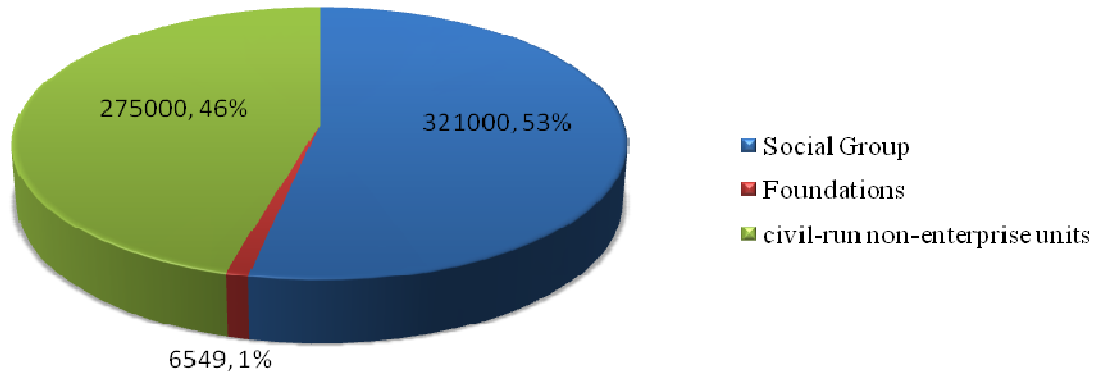


Fig. 2. The quantity and structure of China social organization.

Data sources: the 2014 statistical bulletin of the development of social service of China

The development of Chinese social organizations is unbalanced and their overall level is not high, it embodied in: ① The scales of Chinese social organizations are small, the structures are unreasonable, and many of them are industry or entertainment social organization, but less community service organizations. ② The social organization system is not sound. The internal management is not standard. Its' service function is not perfect and the social recognition and influence is not high. ③ The structure such as age, education, knowledge of Chinese social organizations members is unreasonable. They have not enough professional talents, and the service level is limited. ④ The resource mobilization ability of social organization is limited and lack of resources. Many of them face the problem of funding difficulties (government funding is limited and social donation is short) and less opportunity to participate in public affairs. ⑤ The government dominant color of some social organizations are strong. They become an extension of the government departments, and the dependence on government departments in terms of money and resources is larger. So their autonomy and independence is not strong. These factors lead to Chinese social organizations lack of ability to keep a relatively equal status with the buyer (the government) in the process of undertaking public service supply. It also makes the purchase public service as a one-way cooperative behavior in many times and affects the quality of the supply of public service.

#### 3.2.2. The Institutionalized Construction of Government Purchase Services is Lag, Making it Lack of Effective Institutional Guarantee

The Chinese government purchase of public services is not yet included in the scope of government procurement in the national legal system. It lack of the unified legal regulations and rules. Although the 《Government Procurement Law of China》 implemented in 2003 had regulated the government

procurement scope includes goods, engineering and service, the understanding of service in the purchasing scope is limited to the basic logistics services of which guarantee the government work. Purchase of public services has not been included in the procurement scope, it cause of the government purchase of public services lack of national legal basis and safeguard. [5] Although in recent years, Chinese local government had formulated some related management regulations and guidance documents in the process of government purchase of public services. Such as 《Opinion of Jiangxi province government general office on the implementation of the government purchase services from social power 》. But most of them are suitable for particular area or purchase project, they do not have broad guidance. Many of them are regulation of principle which lack of operability and concreteness. In addition, the current Chinese local government financial budget is not brought the government purchase of public services into its management scope. The source of funds of purchase of public service is multifarious and not fixed. It not included in the public budget, and lack of budget items.

#### 3.2.3. The Supervision and Evaluation System of Purchase of Public Services are Absent, the Service Assessment is Short

Chinese local governments' purchases of public services are lack of strong supervision system which can monitor project implementation and assess the service effect effectively. In actual practice, after the government signed a service purchase contracts with the social organizations, the process monitoring and dynamic management is relatively weak for the reason of government supervision mechanism is not sound, bull spread regulation of different department and the lack of independent third party supervision mechanism. It is difficult for the government departments to make a real-time tracking and effective supervision on the implementation of the project contract; it affects the government and the public to

supervision over the use of project funds. In addition, due to the lack of effective statistical techniques and support of information management technology, the effects of public service is difficult to quantify and the cost and price is difficult to accounting. At present, most of the local government has not yet formed a set of scientific evaluation system about the quality of the purchase of public services the lack of public service supply quality standards, quantitative assessment index system and assessment method leading to the difficulty of assess the government purchase of public services effectively.

### ***3.2.4. Non-Cooperation of the Grass-Roots Government During the Implementation of Service Project Affected the Supply Of Public Services***

The government purchase of public services can often meet the non-cooperation of from the grass-roots government and local organizations in the implementation, this is also an important factor that restricting the Chinese government purchasing service. The first is the contradiction of resource allocation. The provincial government purchase of public services will transfer the funds and resources which originally belong to the grassroots government to social organizations. It makes the original funds and resources allocation flow from the government's internal system to the external system, which blocking the use of superior resources of the basic-level government. Then it triggering the grass-roots government strive for the funds and resources of provincial government purchase services, making the non-cooperation and non-coordination with the social organizations who supply the public services, it also causes the tensions between the two sides. The second is the challenge to the grass-roots government's authority. The social organizations often win public recognition for its' work pattern of into the people, which is different from the grass-roots government. The contrast of the ability of grass-roots governments and social organizations lead to challenge to the grass-roots governments' authority which make the grass-roots governments keep a vigilant psychology to social organization work. Grass-roots government's mistrust and non-cooperation with the social organization make the social organizations cost a lot to coordinated the relations, which influenced the development and promoting of the public services object.

### ***3.2.5. The Lack of Credibility of Social Organizations Provide Services Increased the Additional Costs of Services Supply***

In order to gradually get the trust of service object, social organization will experience the process of strange, exclusive to accept by the service object during the period of public services providing. Influence by the traditional "official standard" concept, the public trust in the government is relatively high. They tend to approve for the government departments produce and provide the public services on the thinking and psychology. In addition, the lagging of China's civil society construction makes the people's citizen consciousness and participation awareness is relatively weak. Therefore, the public have no sense of trust on the social

organizations; they do not believe the identity and service level of the social organization. The public tend to lack of interest or skeptical to the activities carried out by the social organizations, shall non-support and non-cooperate to the service supply, even resistance. The social public lack of trust on social organizations to provide public services increase the extra cost of public service supply on the aspect of time and capital.

## **4. Suggestions on Perfecting Chinese Government Purchase of Public Services**

### ***4.1. Strengthening the Cultivation of Social Organization and Support, Improve the Support of Talent Construction***

China government departments at all levels should strengthen the cultivation and support on the social organizations, especially the public service and community organizations, so as to create a good platform for the government purchase of public service. First of all, they should continue to improve the management system of social organization registration, and drafted support policies. We should further implement the system of social organization registration directly; clean the old regulations and practice that obstructed the development of the social organization, formulating policies that conducive to the development of social organizations. Financial department shall arrange funds as a whole, setting up a social organization development special funds to support the construction of the incubator base for social organizations. Cultivating and growing the local social organizations. Tax departments should formulate some tax items and tax preferential policies that suitable for the social organization, to reduce the operating costs and financial pressure of the social organization. Government departments in ensuring the special funds allocated to the society organization, they should formulate some specific incentive policies at the same time, to encourage social forces to provide capital donations for the social organizations. At the same time, government should encourage the financial institutions to give credit support to the social organizations which are conforming to the conditions.

Secondly, we should formulate some incentive and constraint mechanism of the development of social organizations, to strengthen the construction of talent support. On the one hand, the government should formulate an incentive and constraint mechanism of the development of social organizations, offer certain incentives to the social organizations which had the project of purchasing services and get a good effect, so as to form a typical demonstration effect. On the other hand, the incentives of the introduction and development of talent should be established, to guide the various aspects talents especially the professional to join the social organizations. So as to change the status of the lack of professional talents of the social organization, improve the

professional ability of Chinese social organizations, and promote the healthy development of the social organizations.

#### **4.2. Perfecting the System Construction of Government Purchase Service, Strengthen the Purchase Budget Management**

A good system arrangement is a powerful guarantee for the government purchase of public services. Therefore, in order to improve the Chinese government purchase of public service work, we need perfecting the system construction of government purchase service.

First of all, the government purchase of public services should get into the scope of government procurement. The scope of service procurement should extent from the logistics service that meet the government's own operation to the social public service, so as to establish a universal coverage of social service purchase system. At the national level of the 《government procurement law》 did not make the appropriate changes or circumstances, the local government can administrative regulations or more workable and practical methods of government purchase of public service according to the actual situation. In terms of the specific system and rules, we should formulate and perfect the scope and methods, standards and procedures, capital operation audit and supervision measures, project supervision and management measures, assessment methods and process of the government purchase of public services as soon as possible. So as to ensure the orderly operations of government purchase of public services and improve the quality of government purchase of public services.

Secondly, we should perfect the capital budget management of the government purchase of public services. Governments at all levels should be in accordance with the principle of "Fees fixed with tasks, fees go along with tasks", the funds of government purchase of public service should be brought into the local financial budget legal scope. The governments should formulate the corresponding system of capital expenditure and management. Government departments should arrange capital budget table based on the details of the plan of purchase public service, then announce to the public with the details directory of the government purchase of public services after the examination and approval of the National People's Congress which at the same level. [6] So as to strengthen the auditing and supervision of the project funds, regulate the use of the purchase services funds and improve the utilization efficiency of the funds.

#### **4.3. Perfecting the Procedure of the Government Purchase of Public Services, Making the Purchase Process of Public Service Standard**

Whether the procedures and processes of government purchase of public service are norms or not directly affect the effect of public services. In order to improve the efficiency of purchase of public service, the Chinese government should perfect the procedure of purchase of public services:

The first step is clearing requirements, setting the rules. The

government should expedite and perfect channel of the expression of public interest, collect the information the public's needs of public service extensively. Based on the sorting of the public service demand, constructing the order structure of public demand and the supply structure of public service. According to the overall planning of the social development and financial budget, making the plans' details of government purchase of public services to regulate the content and scope of purchase of services and definite the project of purchase of public services. The government should formulate the corresponding financial expenditure budget table and assessment system, and then make them audited by the National People's Congress at the same level and the finance department.

The second step is public bidding and signing contract. First of all, the subject of the purchase should public the information of the government's purchase of public service through a variety of channels timely, the information include the projects demand, purchase content, funding arrangements and the qualification requirements to undertake the subject and so on. Then they organize the public bidding. Secondly, the subject of the purchase should strict examine the professional capabilities and qualifications of the social organization that participate in the bidding by the spirit of openness and fair, and then selecting the social organization. Finally, the government departments shall sign a formal contract of purchase of services accordance with the law with the social organization that undertakes the supply of public services. The contract should clear the number of purchasing service, quality standards, cash payment, power and responsibility, project supervision and evaluation mechanism, etc.

The third step is implementing project, supervision and control. The social organizations should supply the public service according to the convention or specified project plan of the purchase contract. The relevant government departments should strengthen the real-time supervision of the project implementation and the status of service supply during the process of the project implementation. They should introduce the public's media and the third party organization to supervise the supply of public service.

The fourth step, assess the result, sum up experience. When the purchase of public services project is completed, the government departments should organize various forces (government audit supervision departments, scholars' experts, professional assessment organization, service consumption objects) assess the public services objective provides by the social organization, assess the implementation process and the quality and effect of the public services objective. The government departments shall publish the assessment result to the society in time, to facilitate the public understand the benefit of the public service purchase.

#### **4.4. Establishing the Assessment System of the Purchase of Public Services, Strengthen the Evaluation of the Effect of Purchase of Service**

First of all, the government departments should set up the

diversified and dynamic supervision mechanism of the purchase of services. The series of links of the government purchase of public service such as the project bidding, capital operation and project evaluation should get into the dynamic supervision of the relevant departments. Quality inspection departments should strengthen the supervision of the implementation of quality services, to ensure the project carry out in accordance with the service standards of the contract. The financial departments should strengthen the supervision of the use of fund, to ensure the social originations use the funds effectively. We should improve the external supervision mechanism, encourage consumption of services, public and social media supervise the governments' purchase of public service. At the same time, the supervisory departments should strengthen the supervision of the government departments that responsible for the purchase of public service of, perfect the power operation of the purchase of public service, so as to prevent the department's officers that responsible for the purchase of public services use this chance to do "rent-seeking" activities.

Secondly, the government should establish a scientific evaluation standard and method of the purchase of public services, construct a multi assessment mechanism compose of the purchase main object, service consumed object and the three party assessment origination. The government should assess the implementation effect of the service project scientifically in accordance with the law, and public the assessment results to the society in time.

Finally, we should set up the performance management system of the government purchase of public services; combine the performance level of the government purchase of public services with the work mechanism of the government departments, such as pay incentives, responsibility target examination and the promotion of government staff. Through enhancing the job responsibilities of the government department staff, ensure the quality, level and efficiency of public service supply.

#### ***4.5. Promoting the Construction of Civil Society, Establish the Social Foundation of the Government Purchase of Service***

The effect of government purchasing public service cannot do without the construction of civil society. Only under the premise of that the public understanding, trust the social organization and its' public service supply capacity, local government purchase of public services from social organizations can have a solid social foundation. In the face of the current status of the public awareness and participation awareness is relatively weak, Chinese government should focus on promoting the construction of civil society.

First, strengthening culture construction, promote civic education. Government culture and propaganda department at all levels should promote the construction of social culture as a whole guided by the socialist core values. The government departments should carry out the propaganda of community civic culture, to create a strong atmosphere of social culture and improve the community residents' understanding of civil

society, promote the civic spirit and the volunteer spirit. We should promote civic education by issuing the citizen education books, played the citizen education video and public welfare advertisement, so as to cultivate the people's citizen consciousness and subject consciousness, enhance their civic spirit.

Second, safeguard the citizens' rights effectively, protect the public participation. In the moment of promoting the ruling country by law and the construction of democratic legal system society, the governments at all levels should protect the citizen's democratic rights, encourage citizens exercising their democratic political rights and actively care about or participate in the social public affairs management. We should actively promote the social organization in the whole society; improve the public's cognition and recognition on social organization. Encourage the public to participate in social organization actively, to improve the citizen's awareness of social participation.

Third, increase media publicity guidance, enhance public support. Government departments at all levels should do a good job in the government purchase service propaganda guidance and policy interpretation, public the purpose and significance of the government purchase of public service through the public media and network platform, such as television, the government official micro-blog and the network media. Government departments should actively respond to the social public concern about the government's purchase of public services, enhance the public's support and understanding on the government purchasing service, and arouse the enthusiasm of public participation fully, so as to create a good social environment and mass base for the government purchasing service.

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