

Service outsourcing for targeted poverty reduction
in the People's Republic of China:

A Guide to Practice for Procurement of Services

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Chapter 1: Basic Concepts

What is government procurement of poverty reduction services from social organizations?

In a conventional government poverty reduction model, government employees use special poverty reduction funds and other national funding to implement programs and to target program recipients directly. However, this model can result in an overwhelming poverty reduction workload and shortage of government poverty reduction staff. Essential tasks may be abandoned and other specific or detailed work performed poorly through staff exhaustion or lack of time. Moreover, a conflicting role of government as both „player“ and „referee“ is created, giving rise to governance concerns. These factors can make it hard for government to successfully employ a direct delivery model for effective poverty reduction.

One possible solution is to seek assistance from nongovernmental actors, and to replace the government direct delivery model with one which is referred to in the People's Republic of China (PRC) as Social Poverty Reduction. In this model, government leads and coordinates nongovernmental actors to undertake poverty reduction tasks. In this way, government can extricate itself from detailed delivery and become a „captain“ rather than „crew,“ or „referee“ rather than „player“, taking the role of guiding poverty reduction work and evaluating its impacts to guarantee local poverty reduction. In this model of government and social organization collaboration, government becomes a funder and social organizations become implementers for achievement of effective targeting and assistance to groups in poverty. Such an outcome would be a win-win result for government and its partners and contribute toward the PRC's goal of an inclusive Moderately Prosperous Society.

How can government seek assistance from nongovernmental actors?

Government could use its financial resources to purchase poverty reduction services from social organizations. This would allow social organizations to undertake specific tasks, to implement particular programs, handle detailed activities, and partner people in poverty on their road to development and sustained escape from poverty.

Government and social organizations clearly have complementary advantages in their work on poverty reduction. As a result, their cooperation would help achieve national goals for poverty reduction, improve the state governance system and its capacities for modernization, and better serve the people and those in poverty.

Some definitions:

Government procurement means that various levels of government use special government funds and contracts to purchase poverty reduction services. However, purchasing is not a form of financial allocation. Rather, it represents an equal exchange, through equal relations, to achieve government poverty reduction goals.

Poverty reduction services: Services refer to an intangible means of meeting the specific needs of another party or person through action. This can be simply understood as doing something to meet the particular needs of others. Poverty reduction services are therefore doing things for poverty reduction, including activities such as the planning, design, and implementation of poverty alleviation projects; poverty assessment and monitoring; target group identification; evaluation of poverty alleviation activities and outcomes; capacity building for poverty alleviation; and poverty reduction publicity work. **Purchase of poverty reduction services** means asking others to do detailed government poverty reduction work through procurement, e.g., when that work has become overwhelming, and government poverty reduction unit staff lacks the energy, time, or even capacity to complete tasks well.

Poverty reduction task: A task refers to assignable work and responsibilities. Its essential characteristic is that it can be assigned to others and then others become accountable for it. When a poverty reduction service is designed and defined in detail, it becomes a poverty reduction task, i.e., assignable work requiring accountability. Those who undertake poverty reduction work voluntarily are only providing services, and cannot be held accountable for their work—regardless of how they are performing. But if they take an assigned task, they are accountable for the services they provide. Have they completed the task or not? Have they met the time frame and quality requirements? and so on. A poverty reduction service

becomes an assignable poverty reduction task when it has clear requirements and demands for accountability.

In terms of government procurement, the term poverty reduction service is too general, as it can cover any poverty reduction work. To better manage procurement of the services to be purchased, it is necessary to specify detailed requirements, including for scope, quality, time frame, resources needed, obligations and accountability. It is obviously easier to be accountable when the assigned or entrusted or purchased tasks are clear and carefully designed. Common types of poverty reduction projects can all be regarded as detailed poverty reduction tasks, since they have all been carefully designed.

Social organization: Social organizations are not-for-profit organizations founded voluntarily by nongovernmental actors for the public welfare. Together with government and businesses, social organizations form the third pillar of modern social management. However, social organizations tend to work where governments and markets might fail, and so they also provide an important complementary force for modern social management. Key characteristics of social organizations include their spontaneous creation, participation, and self-governance, not-for-profit and public welfare orientation, and use of nongovernmental and socially grounded methods to solve social problems. Although social organizations started late in the PRC, and are not fully developed, the Central Committee of the Communist Party of China (CPCCC) has given close attention to building and developing social organizations, encouraging them to work on public affairs that “[government] is too busy to undertake”, “cannot do” or “cannot do well”. The Decision of the CPCCC on Some Major Issues Concerning Comprehensively Deepening Reform was adopted in the Third Plenary Session of the 18th CPCCC in 2013 and stated that “Social organizations should be entrusted to provide public services that they are suited to supply and to tackle tasks that they are able to tackle”.

Social organizations are known by various different names, such as civil organizations, nongovernmental organizations (NGOs), not-for-profit organizations, the third sector, civil society, volunteer organizations, or charitable organizations. The term „nongovernmental“ emphasizes that this type of organization is different

from a government entity. „Not-for-profit“ emphasizes that social organizations differ from businesses, which pursue profit, as they focus on achieving a particular social mission instead. In terms of the question who should provide poverty reduction services for government procurement, individuals, corporations and social organizations are all able to do so. However, social organizations are usually best placed to provide professional services in a long-term and stable manner. This is because the original intent, and long term mission, of many social organizations is to undertake professional poverty reduction and development work, and so they have specialized, and acquired extensive practical experience.

Government could improve the results of its poverty reduction work and use its funds more effectively by purchasing poverty reduction services from social organizations. Similarly, social organizations could better accomplish their social mission and receive more funding for their self-development by contracting poverty reduction services from government. Thus, **government and social organizations have an interdependent relationship** in which each seeks a win-win outcome from cooperation for poverty reduction. This interdependence helps to achieve poverty reduction goals and promote improved state governance. It creates a situation where government provides funds and social organizations implement poverty reduction projects, effectively targeting and helping groups in poverty, and contributing to realizing an inclusive and moderately prosperous society in all respects.

In summary: The PRC has been promoting social organization participation in social management and poverty reduction for over 20 years (Table 1). Government and social organization cooperation in procurement of poverty reduction services can further build on the complementary advantages of each party and reflect the merits of a modern social management system.

Table 1: Key policy references on social organizations and poverty reduction

| Year | Policy document | Key policy references |
|------|---|---|
| 2015 | The CPCCC and State Council Decisions on Winning the Tough Battle Against Poverty | <p>“Promoting models such as cooperation between government and social capital and government procurement of services for poverty reduction.”</p> <p>“Encouraging various social organizations to engage with villages and households and help implement targeted poverty reduction measures through government procurement of services and other methods.”</p> |
| 2014 | Implementation Plan for Innovation in Social Participation Mechanisms for Poverty Reduction | <p>“Encouraging social organizations to actively participate in poverty reduction.”</p> <p>“Piloting government procurement of services, and encouraging social organizations to undertake government poverty reduction programs.”</p> |
| 2013 | Opinions on Innovative Mechanisms for Making Steady Progress in Rural Poverty Alleviation | <p>“Establishing and improving a mechanism for broad engagement of all social actors in poverty reduction.”</p> <p>“Encouraging and guiding various kinds of businesses, social organizations and individuals to participate in poverty reduction through various methods.”</p> <p>“Actively exploring government procurement of public services and other effective methods.”</p> |
| 2011 | Outline for Development-oriented Poverty Reduction in Rural Areas (2011-2020) | <p>“Actively encouraging, guiding, supporting and helping various social organizations to undertake poverty reduction tasks in designated areas.”</p> <p>“Encouraging social organizations and individuals to participate in poverty reduction through various means.”</p> <p>“Actively creating conditions and guiding NGOs to participate in, and implement, government poverty</p> |

| Year | Policy document | Key policy references |
|------|--|--|
| | | <p>reduction programs.”</p> <p>“Gradually regulating the poverty reduction activities of NGOs.”</p> <p>“Seeking help and support from international NGOs for poverty reduction work through various channels and methods.”</p> <p>“Strengthening communication with international organizations on poverty reduction, introducing successful experiences, effective methods, and approaches for poverty reduction from the international community, and further improving capacity and overall efficiency in poverty reduction.”</p> |
| 2001 | Outline for Poverty Reduction and Development in Rural Areas (2001-2010) | <p>“Fully activating the functions of the China Foundation for Poverty Alleviation and other types of social groups to undertake poverty reduction.”</p> |
| 1994 | The Eight-Seven Poverty Reduction Plan (1994- 2000) | <p>“Actively engaging in exchanges with international organizations, regional organizations, governments and non-governmental organizations working on poverty reduction, and familiarizing the international community and overseas Chinese with economic development and poverty reduction work in poverty-stricken parts of the PRC.”</p> |

Chapter 2: The Procurement Process

Types of poverty reduction tasks and their difficulty can vary. Moreover, most social organizations are only newly established, and are still developing their poverty reduction capacities. This makes it important to consider how to match poverty reduction work of different degrees of difficulty with the differing capacities of social organizations. A basic solution is to adopt a graduated procurement approach and to assign easy tasks to newly-established social organizations and more complex or difficult tasks to mature social organizations with substantial poverty reduction experience and skills. Processes and methods for graduated procurement should remain simple and easy to practice as complicated processes can often be difficult to establish and implement.

This guideline is therefore based on two principles: use of graduated procurement and a simple process that is easy to implement. The procurement process has been designed to guide local government poverty reduction staff in initiating and conducting a process to procuring poverty reduction services from social organizations. For a county-level poverty alleviation office, there are seven steps involved (Figure 1). The detailed process is described in Figure 2.

Figure 1: Seven overall steps for county poverty alleviation offices to purchase poverty reduction services from social organizations

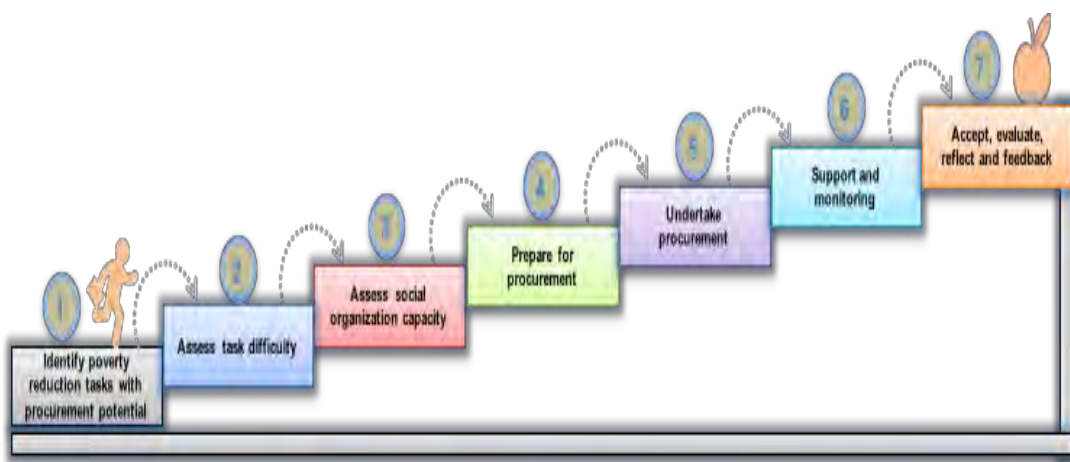
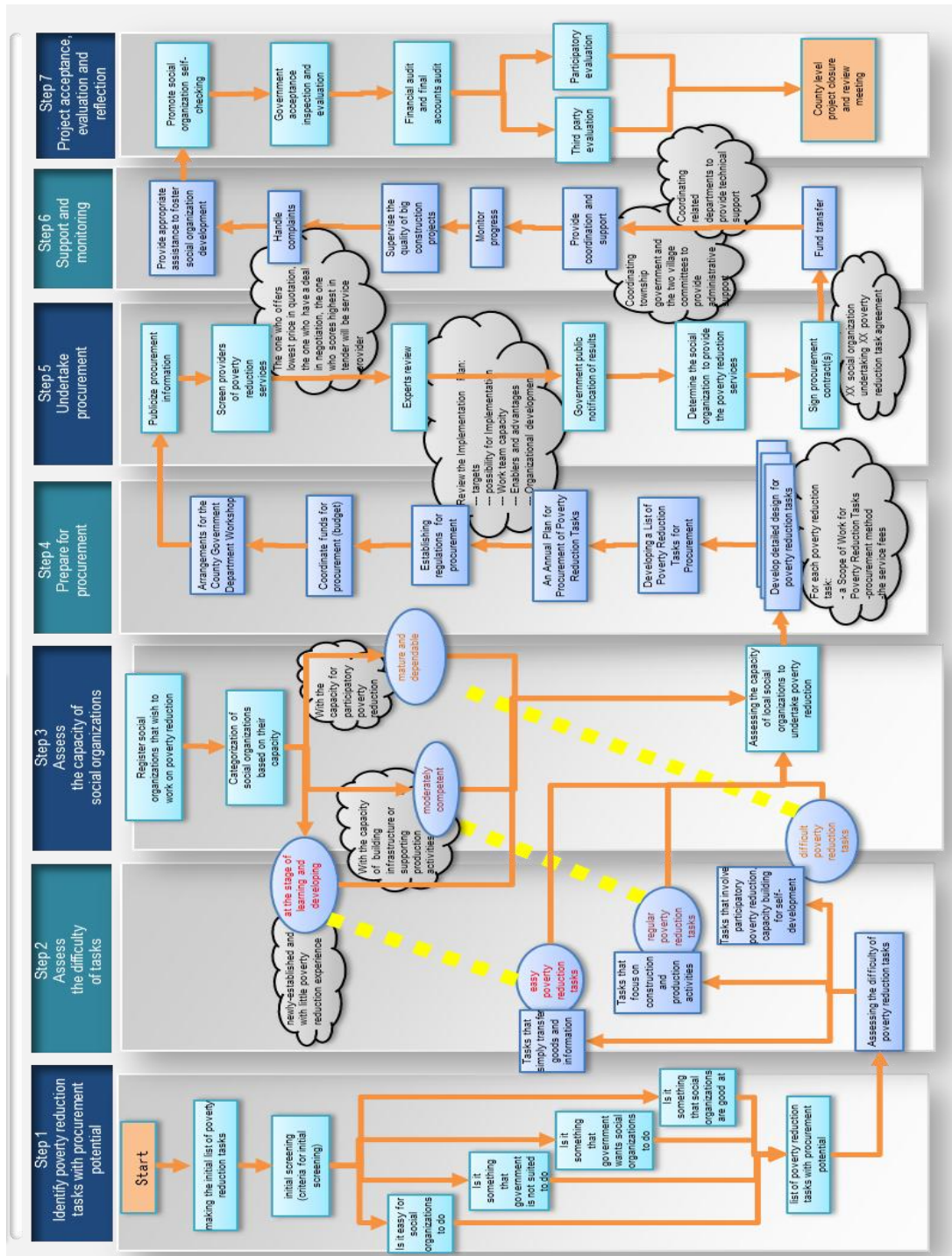


Figure 2: Process for county level government procurement of poverty reduction services from social organizations



Step 1: Identification of Poverty Reduction Tasks with Procurement Potential

Objective: To analyze which poverty reduction tasks are suitable for procurement

Outcome: A list of poverty reduction tasks with procurement potential

What kind of poverty reduction tasks or work should be assigned to social organizations? To derive this, first list as many tasks as possible, to obtain a long list, then make an initial screening to obtain a shortlist. The tasks in the shortlist are suitable and appropriate to assign to social organizations, and become tasks for potential procurement.

Procedures:

1. Listing poverty reduction work and making the initial list of poverty reduction tasks

The initial list of poverty reduction tasks can be created by proposing, listing, and enumerating as many specific poverty reduction tasks that could be assigned to social organizations as possible. This will result in a very long list, so it is called the long list (See Table 2 and Figure 3).

Figure 3: Developing the initial list of poverty reduction tasks

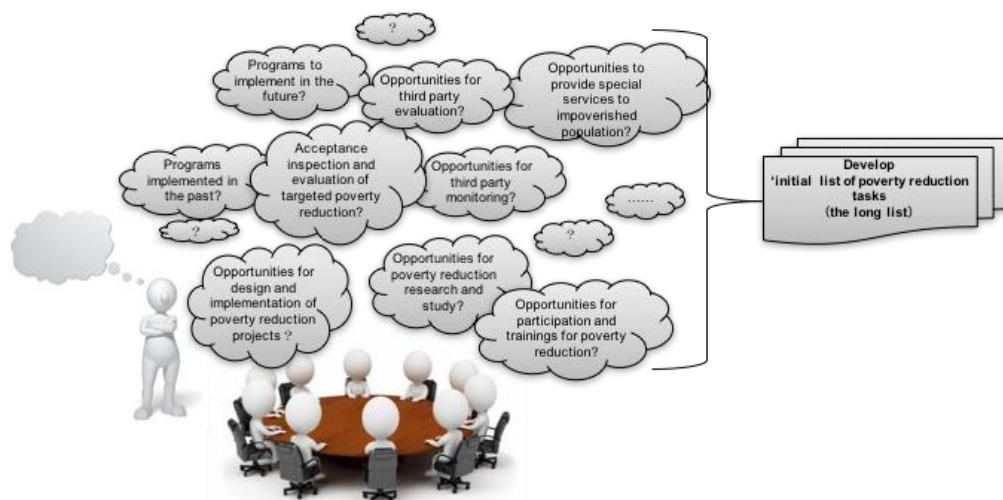
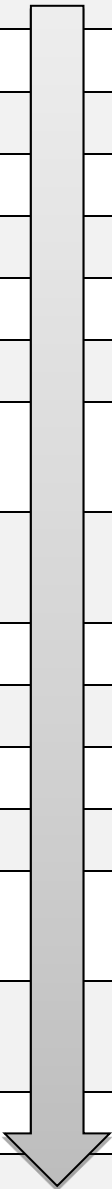


Table 2: An example of how to make an initial list of poverty reduction tasks

| What poverty reduction work could be assigned to social organizations? | |
|--|---|
| More specific questions in terms of... | More specific answers, and list of work |
| Poverty reducing specialty enterprises | |
| Guiding poverty reduction through labor-export | |
| Poverty reduction and ecological protection | |
| Education-based poverty reduction | |
| Health-based poverty reduction | |
| The minimum livelihood support (<i>dibao</i>) system | |
| Improving services for vulnerable groups | |
| Village infrastructure improvement | |
| Strengthening market linkages and poverty reduction through e-commerce | |
| Improving living conditions and environmental protection | |
| Improving financial services | |
| Innovation in poverty reduction | |
| Improving capacities of people living in poverty | |
| Poverty reduction project design and evaluation | |
| Assessing results and impacts of poverty reduction work | |
| Innovations in poverty reduction, such as new ways of benefiting targeted groups and third party monitoring? | |
| | |
| Total = the initial poverty reduction task list (long list) | |



2. Setting criteria for initial screening

Criteria for initial screening should be established on the basis of prioritization and preference, to rule out tasks that are not currently suitable for procurement, and to identify tasks which can be prioritized for procurement in the near future.

Criteria could consist of multiple screening indicators. For instance, as local social organizations are newly established and lack experience, task difficulty could become a screening indicator to rule out those tasks that are currently too difficult. Likewise, social organizations that are skilled in organizing community tourism, and operating in a location with tourism resources that could benefit poor households, may also be interested in undertaking poverty reduction activities. In this case, experience in poverty reduction through community tourism could become a screening indicator. Tasks that promote community tourism for poverty reduction can be kept in the list as tasks with procurement potential. Clearly, the initial screening of tasks, and criteria to be adopted, will depend on the local context, conditions, and social organization willingness. They also reflect priorities and preferences in local poverty reduction work. Criteria would usually take the form of questions such as: Would higher authorities support this? Would people like this? Would this increase investment in poverty reduction? Would this improve community governance? Would this be a good pilot or demonstration? Is it gender equitable and would it interest poor women? Some recommended criteria are listed in Figure 4 and below:

- Is it easy for social organizations to do?
- Is it something that social organizations are good at?
- Is it something that local government is not suited to do?
- Is it something that government wants social organizations to do?
- [additional criteria]

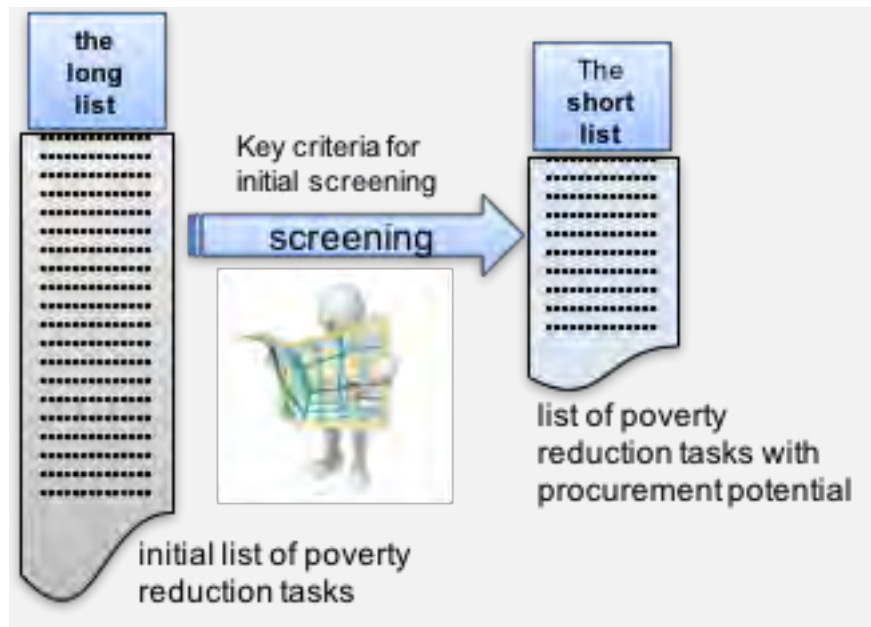
Figure 4: Criteria for initial screening of poverty reduction tasks



3. Screening and developing the list of poverty reduction tasks with procurement potential

The process of screening is a process of transforming the long list into the short list. Using the criteria for initial screening, analyze each task in the initial list of poverty reduction tasks (the long list) and rule out inappropriate ones. Those tasks left in the list will be prioritized for procurement in the near future i.e., they will become the list of poverty reduction tasks with potential for procurement (the short list). Tasks in this list are then examined and analyzed. If there is agreement to assign them to social organizations, this marks the start of government procurement of poverty reduction services from social organizations.

Figure 5: Transforming the long list into the short list through screening



Pointers:

1. Remember at this stage to only consider what work is suitable and intended to be assigned to social organizations. Tasks in the short list are referred to as a task, but actually they are poverty reduction work that could be assigned to social organizations in the future.
2. Developing a good long list depends on innovative thinking and deep understanding of local poverty reduction work. Proposed tasks should require innovative methods and be able to improve poverty reduction management. These tasks are then assigned to social organizations for piloting, demonstration, and locally-adapted replication. All proposed activities should be gender equitable and monitored against this criteria. Tasks that particularly focus on gender in poverty reduction should be highlighted and assigned for implementation to those social organizations that are trained in gender issues and are gender sensitive.

3. It is critical to develop a set of criteria for the initial screening. These criteria will determine what the outsourcing agency advocates, supports, promotes, avoids, and what it hopes that social organizations will do, etc. These criteria should not just reflect local government priorities, preferences, and advocacy, but also the situation and limitations of the local context. So, lack of pre-conditions for the activity or lack of local government interest could be criteria for ruling out inappropriate tasks.

Step 2: Assessing the difficulty of poverty reduction tasks

Objective: To analyze and grade the difficulty of local poverty reduction tasks with procurement potential

Outcome: Three lists:

- A list of easy poverty reduction tasks
- A list of regular poverty reduction tasks
- A list of difficult poverty reduction tasks

The difficulty of poverty reduction tasks varies in terms of workload, cost, approach, and choice of management method. These variations can also affect cost accounting and task evaluation. For these reasons, it is recommended to use a graduated procurement approach in which tasks are ranked according to increasing difficulty.

The aim of a graduated approach is to categorize poverty reduction tasks with potential for procurement into three lists of increasing difficulty: (a) a list of easy poverty reduction tasks, (b) a list of regular poverty reduction tasks, and (c) a list of difficult poverty reduction tasks. This graduated procurement ranking allows for matching „the small horses with small carts“, and the „big horses with big carts“, assigning easy tasks to newcomer social organizations and difficult tasks to experienced

old-hands. This allocation will help to improve the quality and efficiency of poverty reduction work.

Procedures:

1. Creating criteria for assessing the difficulty of poverty reduction tasks

The difficulty of poverty reduction tasks should be determined by their content, implementation methods, and quality requirements.

In general, it is relatively easy to perform tasks that provide funds and goods or disseminate information. These are **easy poverty reduction tasks** (see Table 3) and specific examples include delivering relief funds or relief goods after a disaster, distributing seedlings and livestock, providing technical production training, or organizing labor export training.

Most common poverty reduction tasks, such as building infrastructure or supporting production activities, rarely use community development facilitation skills. These can be considered as **regular poverty reduction tasks**. Additional examples include renovating dilapidated housing for poor householders, supporting cropping and livestock activities, building agricultural production bases, strengthening community sanitation, monitoring the targeting and arrival of poverty reduction funds, tracking and verifying whether poor people have escaped poverty as planned, and other forms of third party monitoring.

The difficulty of poverty reduction tasks increases significantly when community-driven development is involved. Such **difficult poverty reduction tasks** include building the capacity of communities for self-development, promoting sustainable development, and improving the management of community public affairs; effectively linking poor household producers to markets; devising innovations in poverty reduction resource use; or improving the quality of poverty reduction governance. These complex and difficult tasks not only require more time and funds, but also mature implementers with stronger skills and experience in community development. Additional examples

include: poverty reduction-oriented agricultural cooperatives that require community organization and market linkages; community development funds that involve community-level collective action and behavioral changes; post-construction project management that involves making and implementing community management regulations; community-level natural resource management or tourism development that involves community-level action and benefit sharing; identification of target households and use of targeted measures for poverty reduction, including benefit distribution, strengthened awareness of social equity and community consensus-building skills; village participatory poverty reduction planning; sustainable management of community grasslands, forests, water and other resources.

Table 3: Criteria for assessing the difficulty of poverty reduction tasks

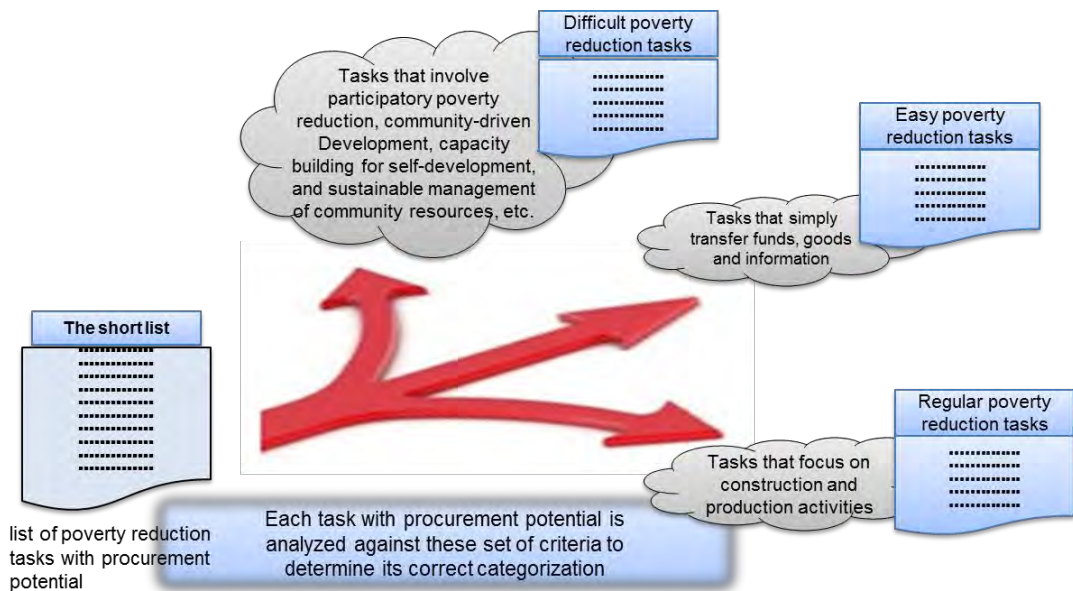
| Degree of difficulty | Assessment criteria |
|-----------------------------------|---|
| Easy poverty reduction tasks | Tasks that simply transfer funds, goods, and information. |
| Regular poverty reduction tasks | Tasks that focus on construction and production activities. |
| Difficult poverty reduction tasks | The difficult tasks are longer-term and so rely on sustained motivation of community members and changes in status and power. They include tasks that involve participatory poverty reduction, community-driven development, capacity building for self-development, and sustainable management of community resources. |

2. Analyzing and categorizing potential tasks for procurement based on assessment criteria for degree of difficulty

Each task with procurement potential is analyzed against this set of criteria to determine its correct categorization. This involves developing three lists: (a) a list of easy poverty reduction tasks, (b) a list of regular poverty reduction tasks, and (c) a list of difficult poverty reduction tasks. Actually, there is a simple way to assess the difficulty of tasks. Tasks that involve delivering funds, goods, and information directly are easy tasks; building infrastructure and promoting

production are regular tasks; and human development focused activities, such as building capacity to steadily reduce poverty, improving community management and governance, or involving complex conflicts and behavioral changes, are difficult tasks.

Figure 6: Using criteria for degree of difficulty to assess and categorize poverty reduction tasks



Pointers:

1. It is a truism that some poverty reduction tasks are easy and others hard. Giving out goods (or what is often called „transfusing blood“) is definitely easier than doing tasks that focus on human development and participatory poverty reduction (often referred to as „building blood“). In the period to 2020, the PRC focus will be on easy and regular poverty reduction tasks, but then attention will shift to more difficult tasks. It is only through these difficult tasks that impoverished people can build their capacities to sustainably escape poverty.
2. The difficulty of a task can vary. The same task with different requirements will have different degrees of difficulty. For instance, an irrigation holding

pond goes from being a regular task to an easy task if it is built by an outside contractor. It becomes a difficult task if built by the poor community itself. This is because the latter needs others to accompany and support it during the process of learning by doing. Although this task is initially more difficult, it produces deeper benefits through both building the pond and community capacity; through creation of a sustainable management mechanism; and through more effective benefit targeting and use of funds. This particular example is drawn from actual practice.

3. The three lists (list of easy poverty reduction tasks, list of regular poverty reduction tasks, and list of difficult poverty reduction tasks), are important documents for future procurement. The social organization capacity required will vary according to the difficulty of the task, its expected impacts, and investments of time, energy, and cost. Generally, easy tasks have a small budget and quite small impacts. This makes them easier for less skilled implementers to undertake. Conversely, difficult tasks have bigger budgets and create greater impacts, making them unsuited to less competent implementers. Regular tasks fall between these two levels in terms of impact, budget, and skills required. This may also explain why two contradictory opinions about poverty reduction are often heard—one is that poverty reduction doesn't require professional implementers and the other that poverty reduction demands highly professional implementers. Actually, this distinction may relate to the degree of difficulty inherent in poverty reduction tasks.

Step 3: Assessing the capacity of social organizations

Objective: Analyze and assess the poverty reduction capacity of social organizations

Outcomes: Social organizations are classified into one of three categories: (a) at the stage of learning and developing, (b) moderately competent, and (c) mature and dependable

Each social organization that has expressed interest in undertaking poverty reduction work in the local area can be classified based on its capacity. This yields a list of up to three categories. These lists form the basis for the graduated procurement process. In principle, social organizations at a stage of learning and developing are able to undertake easy tasks, moderately competent social organizations can undertake regular tasks, and mature and dependable organizations can undertake difficult tasks.

Procedures:

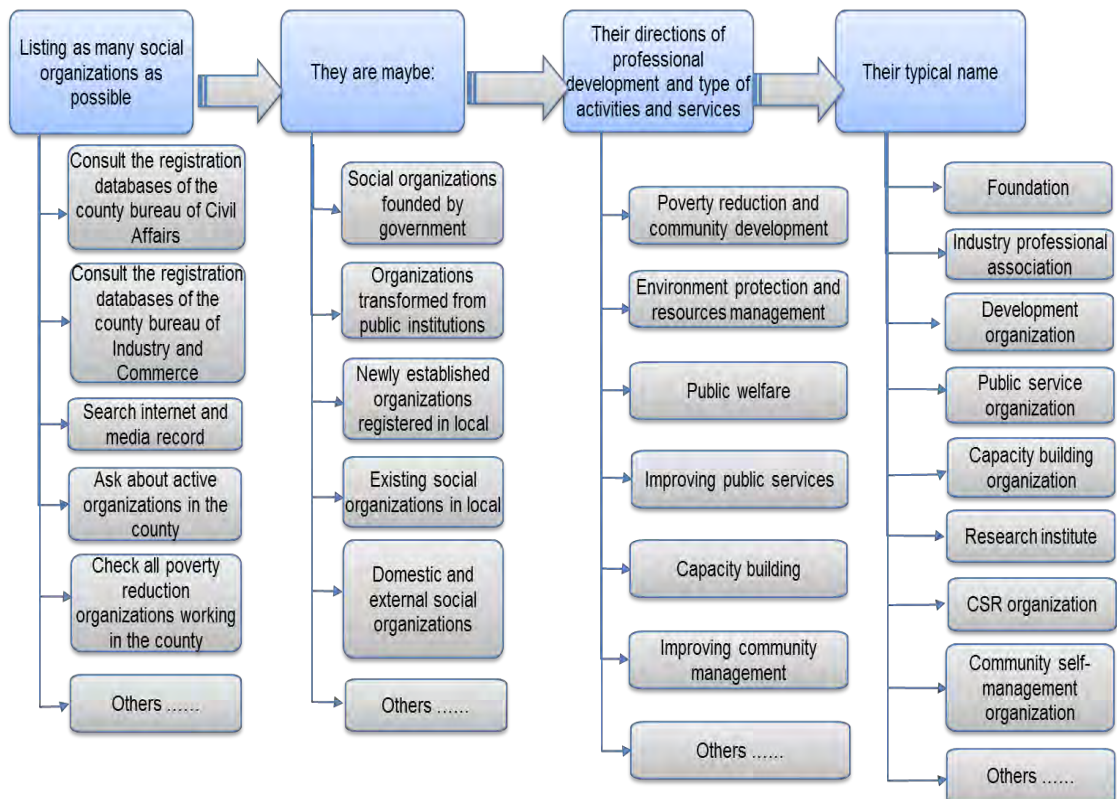
1. Registering social organizations that wish to work on poverty reduction

(1) Collect and list as many social organizations as possible that are able to provide poverty reduction services in the local area

A list of social organizations (Figure 7) is formed by consulting the registration databases of the County Bureaus of Civil Affairs and Industry and Commerce, checking other institutional sources, and searching the internet. In addition, some social organizations in the PRC are registered as companies, and should also be considered. Government could also post a public announcement to encourage social organizations to register their interest in undertaking poverty reduction tasks or contact social organizations directly by telephone. Although the number of social organizations is growing rapidly across the country, their presence varies in different places and in poor areas. In some impoverished counties, social organizations are few and not very

active, whereas in other poor counties there are effective local organizations and also many external social organizations with strong experience. Identifying organizations with potential is the foundation for future procurement.

Figure 7: Listing as many social organizations as possible



(2) Understand the needs of social organizations working on poverty reduction

Invite social organizations to fill out a simple form to register their interest in poverty reduction (Table 4). The aim is to clarify their interest to work on poverty reduction and to collect relevant basic information. Remember that the information collected must be thoroughly verified.

Table 4: Social organization registration of interest in poverty reduction (template)

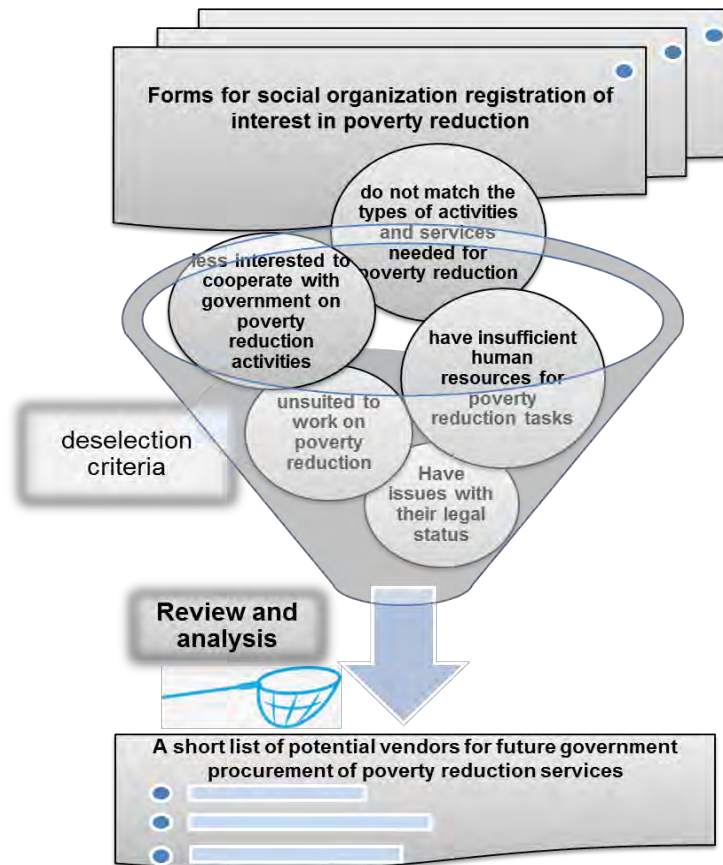
| <u>Social organization registration of interest in poverty reduction</u> | |
|---|--|
| Organization name: _____ | |
| Name of person completing the form: _____ Date: _____ Registration no. _____ | |
| 1. Name of organization | |
| 2. Organizational purpose or vision statement | |
| 3. Types of activities and services provided | |
| 4. Registration information (location, date, and name of approving authority) | |
| 5. Description of project team or social organization staff | |
| 6. Previous poverty reduction projects and/ or services undertaken by the organization | |
| 7. Past experience of cooperation with government | |
| 8. Is the organization interested to work on poverty reduction in this county? | |
| 9. What poverty reduction services is the organization good at providing and interested to undertake? | |
| Signature and seal | |

(3) Create a list of potential providers for future government procurement of poverty reduction services

Review and analyze the completed social organization registration forms on interest in poverty reduction. Make a judgment about which social organizations are unsuited to work on poverty reduction e.g., they do not match the types of activities and services needed for poverty reduction, they have issues with their legal status, insufficient human resources to undertake poverty reduction tasks, or are less interested in cooperating with government on poverty reduction activities. These criteria could be used to rule out

unsuited candidates. This will form a short list of potential providers for future government procurement of poverty reduction services (Figure 8).

Figure 8: Creating a short list of potential providers for future government procurement of poverty reduction services



2. Categorize local social organizations based on their capacity

Assess the current capacity of shortlisted potential providers by comparing their responses in the form for social organization registration of interest in poverty reduction with the poverty reduction task criteria for difficulty.

The assessment uses registration form responses as follows:

- Registration information (item 4) indicates if the social organization is newly formed.

- The organization purpose or vision statement and type of activities and services (items 2 and 3) indicate the direction of professional development, scope of services, and any links to poverty reduction activities.
- Past experience of cooperation with government (item 7) indicates that the organization has cooperated with government in the past.
- Description of the project team, previous poverty reduction programs and/or services, and organizational strengths in poverty reduction (Items 5, 6, and 9) indicate organizational capacity to implement poverty reduction tasks.

Finally, undertake a comprehensive assessment of social organization capacity and allocate each social organization to one of the three lists as: (a) at the stage of learning and developing, (b) moderately competent, and (c) mature and dependable (Table 5).

Table 5: List of local social organizations categorized by their capacity (year XXX)

| Category | Capacity level | Name of social organization |
|---|--|-----------------------------|
| Type (a): Learning and developing | Able to undertake easy poverty reduction tasks | |
| | | |
| | | |
| | | |
| | | |
| Type (b): Moderately competent | Able to undertake regular poverty reduction tasks | |
| | | |
| | | |
| | | |
| | | |
| Type (c): Mature and dependable | Able to undertake difficult poverty reduction tasks | |
| | | |
| | | |
| | | |
| | | |

3. Assessing the capacity of local social organizations to undertake poverty reduction

At this point, an initial analysis of procurement needs for poverty reduction services, and the capacity of local social organizations to provide those services, can be made. The general steps are:

- Make a comprehensive analysis of local poverty reduction work and the three types of poverty reduction tasks (easy, regular, and difficult), and then assess the needs of local poverty reduction work.
- Assess local social organization capacity to provide poverty reduction services based on a list of local social organizations that has been categorized by their capacity. Then estimate the scope of procurement for poverty reduction services in the future.
- If the number of potential providers is insufficient, think about how to address this problem, for example, by inviting social organizations from other localities or incubating and training local social organizations.

Pointers:

1. Social organization capacity to undertake poverty reduction is changing, and generally improving over time. This makes it necessary to conduct annual reviews and reassessments of social organizations and their capacities.
2. It is not a problem if newly established social organizations lack capacity. The key issue is whether they are seriously committed to work on poverty reduction issues for the longer term? Do they have the development potential to learn, grow, and improve over time? A longer term perspective is necessary when assessing the capacity of social organizations to undertake poverty reduction. This includes providing opportunities for their tempering and development so that they can reduce poverty and grow at the same time.
3. Evaluating organizational capacity to undertake poverty reduction is not to accredit or brand the organization. It is about thinking how to match social

organizations with poverty reduction tasks and to enable social organizations to do their best work. This makes it inappropriate to publicize the lists of easy, regular, and difficult tasks or the ranked status of the social organizations, including in terms of learning and developing, moderately competent, or mature and dependable status. To do so might create obstacles for the development of social organizations.

4. A social organization with strong poverty reduction capacity usually has several outstanding features, such as a team that can work in the field, and staff with sensitivity and coping strategies for dealing with problems and challenges. It also has experience and a record of previous successful projects. However, the indicator for experience of cooperation with government should not be given too much weight. In most cases, it is government that has not been able to give opportunities to social organizations for poverty reduction, rather than that social organizations do not want to work with government. Experience indicates that **the most important indicator is whether the social organization has a group of people who can do solid work in the field**. The second most important indicator is that **those people have experience in participatory poverty reduction**. Only a few social organizations can meet both of these indicators. It is very important to attract and encourage such organizations to provide poverty reduction services to local areas and to build similar capable local social organizations over time.
5. How to assess the poverty reduction capacity of a social organization remains an unresolved research question and can easily result in oversimplified, biased, or unreasonable indicators. Such examples include having a work place, a certified public accountant, or professional staff with social worker certifications. Even some experts can make the mistake of adopting such assessment criteria. Instead, several rounds of discussions are needed to improve the usefulness of the assessment. These aim to reach consensus on basic principles for judging social organization capacity to undertake poverty reduction. The aim is to **let**

capable social organizations ‘stand up and stand out’ and to promote a healthy atmosphere of ‘doing real work and helping the real poor’.

Step 4: Preparation for Procurement

Objective: Complete preparations for procurement

Outputs:

- a) A Poverty Reduction Task Scope of Work
- b) A List of Poverty Reduction Tasks for Procurement
- c) An Annual Plan for Procurement of Poverty Reduction Tasks
- d) Arrangements for the County Government Department Workshop
- e) An Implementation Regulation for Procurement of Poverty Reduction Services from Social Organizations (which simultaneously establishes a procurement management system)

Preparatory pre-procurement work includes clearly defining and designing the poverty reduction tasks for procurement, making a list of poverty reduction tasks for procurement, establishing regulations and procedures for procurement, and coordinating resources and departments to prepare an annual procurement plan.

Procedures:

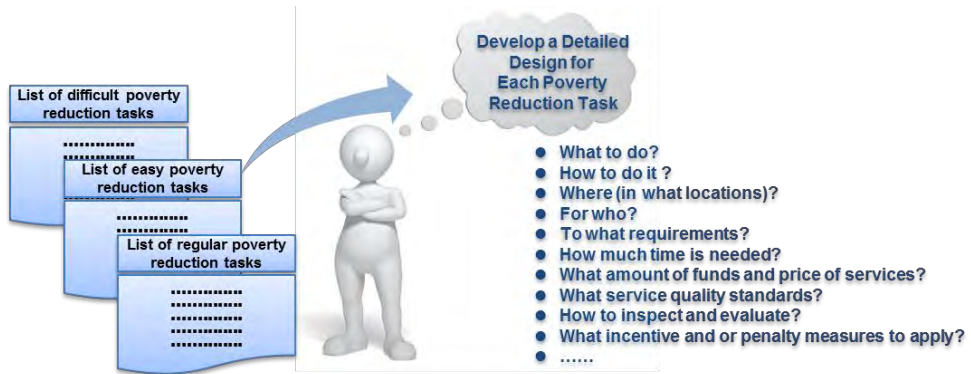
1. Developing a detailed design for poverty reduction tasks

(1) Developing a Detailed Design for Each Poverty Reduction Task

To specify tasks for the lists of easy tasks, regular tasks, and difficult tasks requires answering the following questions in terms of local conditions: What needs to be done? How much needs to be done? Where (in what locations)? For who? To what requirements? How much time is needed? What amount of funds and price of services? What service quality standards? How to inspect and evaluate? What incentive and/or penalty measures to apply? Answering

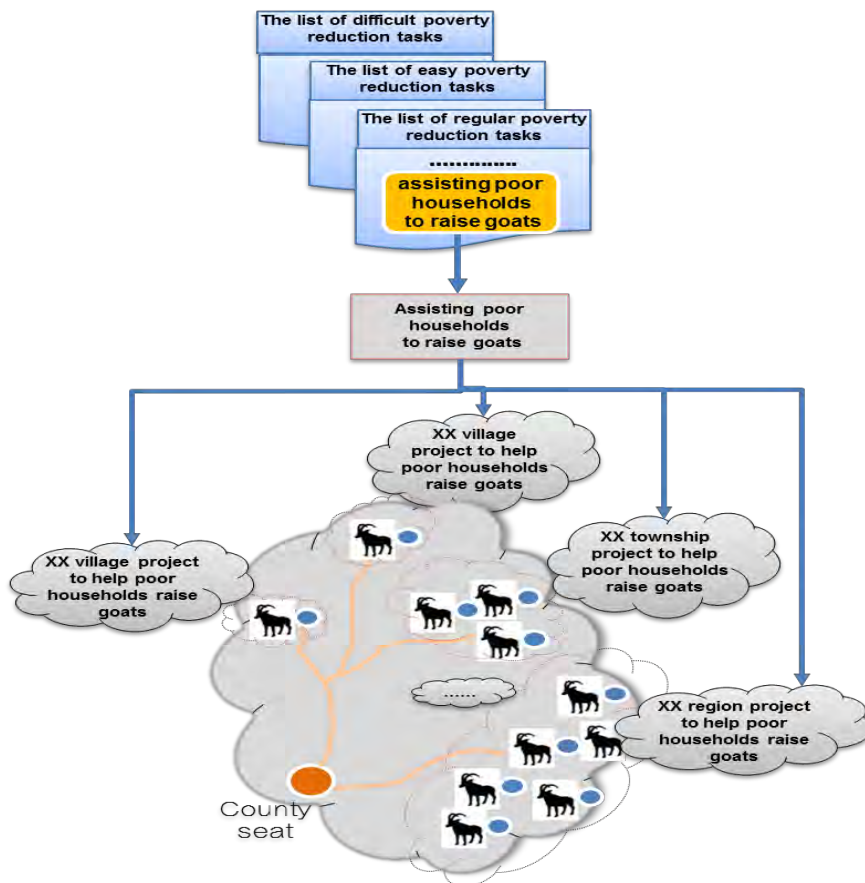
these questions helps to **transform poverty reduction intentions into procurement ready tasks** (Figure 9).

Figure 9: Detailed Design of Poverty Reduction Tasks



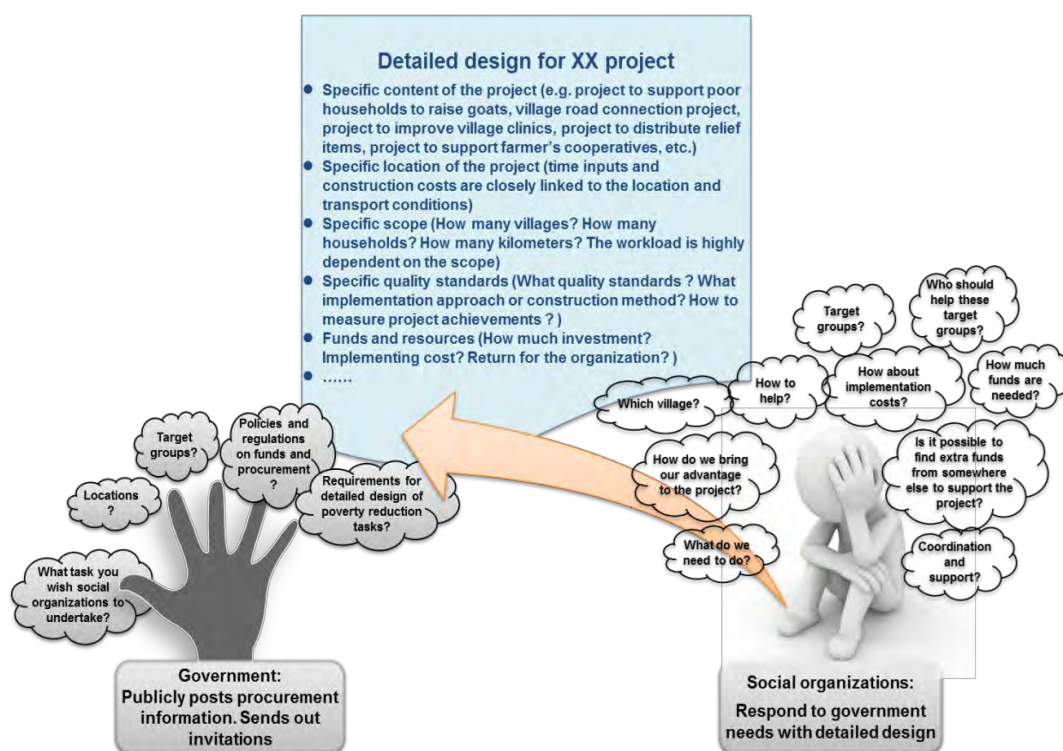
Each overall poverty reduction task could be designed as several detailed tasks ready for procurement. For example, the task of assisting poor households to raise goats could become the Project to Support Poor Households to Raise Goats in XX Village. This would further specify the project location, transport conditions, goat breeds and numbers, technical support, assessment indicators, budget, evaluation methods, and management fee for organizations undertaking the project. Purchasers and service providers both need to clearly understand what to purchase, and to have a clear understanding of how to obtain and deliver the purchased items. Moreover, the task of assisting poor households to raise goats probably covers multiple villages. Different villages with different breeds would result in the task becoming several tasks (Figure 9), such as the XX Township Project to Help Poor Households Raise Goats, the XX County Project to Support Poor Tibetan Women to Benefit from Raising and Selling Goats, the XX Village Project to Support Poor Households to Raise High-yield Goats, the XX Village Project to Support Poor Households to Raise Local Goat Breeds etc. In this case, several social organizations can undertake poverty reduction tasks in different villages, or one social organization can undertake tasks in multiple villages.

Figure 10: Each overall poverty reduction task can be designed as several specific procurement ready tasks



In the process outlined above, it is **government that identifies and designs the poverty reduction tasks and seeks social organizations to undertake those tasks**. A reverse process is for **social organizations to take the initiative and design and propose detailed poverty reduction tasks to governments**. This second approach is a kind of social venture in which social organizations are better able to assess and use their strengths and advantages in the design of poverty reduction tasks, and to be more confident and active in implementing those tasks—thereby likely leading to better outcomes. However, this second approach relies on open information about government demand and procurement of poverty reduction services (Figure 11).

Figure 11: General procedures for social organizations to design poverty reduction tasks for potential government procurement

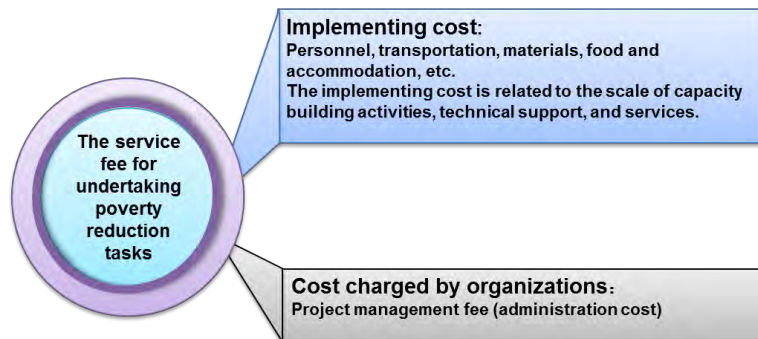


(2) Estimate procurement costs for each detailed poverty reduction task

Clear design specifications allow a direct cost (direct investment) to be estimated for each detailed poverty reduction task. Usually, this is calculated on the basis of the unit investment budget and scale. Please refer to books on poverty reduction project cost estimation for calculating direct poverty investments. The focus of this Guideline is on how to calculate service fees for social organization delivery of poverty reduction tasks.

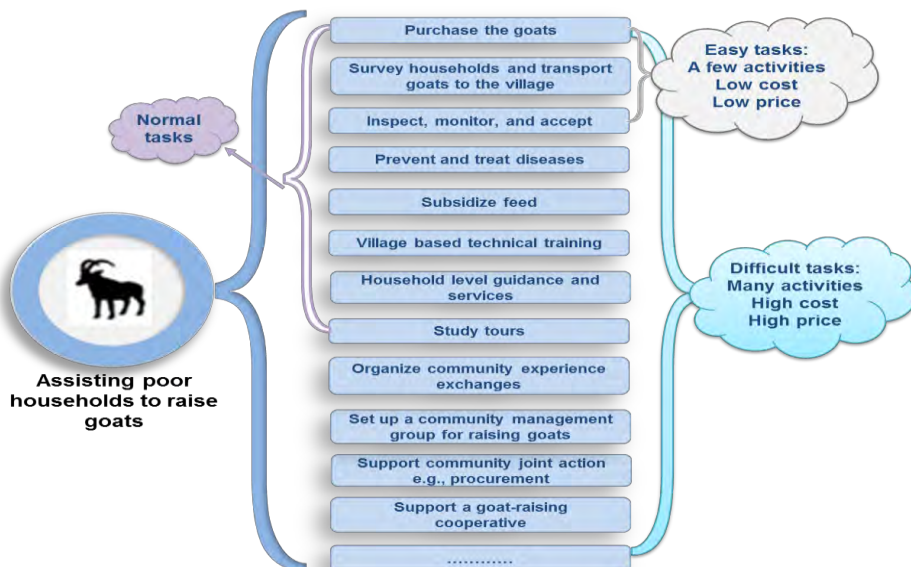
The service fee for undertaking poverty reduction tasks consists of two parts (Figure 9). One is the implementation cost, including personnel, transportation, materials, food and accommodation; another is the project management fee charged by social organizations for routine office administration and organizational development.

Figure 12: The social organization service fee for poverty reduction tasks consists of two parts



It is important to understand that the service fee for poverty reduction tasks correlates closely with task difficulty (see Figure 13). A high service fee supports more capacity building activities, technical support, and service activities. In the case of the project to help poor households raise goats, it is evident that higher expectations will result in more activities, in higher costs, and a higher service fee. So, the service fee reflects a quality expectation for the poverty reduction task.

Figure 13: The service fee charged by social organizations for poverty reduction tasks correlates closely with task difficulty



There are four methods for pricing service fees: the proportional method, performance linked incentives, the cost-covering method, and the person-month (time and labor input) method. Details are provided in Table 6.

Table 6: Pricing methods for poverty reduction service fees

| Pricing method | | How it works (with examples) | Pros and Cons |
|----------------|----------------------------------|---|---|
| 1 | Proportional method | <p>The price is directly linked to the direct costs of poverty reduction.</p> <p>Set a rate, for example, 5% to 10%. Taking 10% as an example, then the service fee would be CNY100,000 for a poverty reduction task with a total investment cost of CNY 1 million.</p> | <ul style="list-style-type: none"> ● Easy cost control. ● Lack of linkages between activities and performance may encourage social organizations to reduce costs or ensure payment through listing fewer activities. ● It is less likely to motivate social organizations. |
| 2 | Performance linked method | <p>The price is linked to performance.</p> <p>Extra financial incentives are awarded for successful completion of tasks that have achieved strong positive results. This provides an incentive for social organizations to improve their services.</p> | <ul style="list-style-type: none"> ● Incentivization would encourage social organizations to improve the service quality. ● The two parties need to reach agreement on how to measure impact and cost through communication and negotiation. This may prove difficult. |
| 3 | Cost-covering method | <p>A fixed fee is paid to social organizations. Other costs of activity implementation are covered by the purchasers.</p> <p>Purchasers pay a management fee and personnel costs according to contract, and other activity implementation costs are reimbursed by purchasers according to real costs.</p> | <ul style="list-style-type: none"> ● Social organization sense of security is increased. ● Purchaser flexibility is increased, especially in the case of programs with significant uncertainties. |

| Pricing method | | How it works (with examples) | Pros and Cons |
|----------------|------------------------------------|--|---|
| 4 | Time and labor input method | <p>Payment is based on the actual investment of time and labor.</p> <p>The price estimate is based on a detailed and feasible plan that has addressed questions such as how many meetings are to be convened? How many field trips? How many people on each field trip? What personnel payments and levels are needed, what transportation, materials, food and accommodation costs? The final price is the sum of the total estimated cost and the agreed management fee.</p> | <ul style="list-style-type: none"> ● This provides a very accurate estimation as it is based on real expenditures. ● International organizations prefer this method for providing financial support to PRC social organizations. ● It effectively balances work quality and cost control. ● Individuals with greater experience can estimate a more accurate price. ● It is best suited to social organizations that design poverty reduction tasks by themselves. |

(a) The proportional method is generally suited to easy tasks and the proportion of the management fee is smaller than for other kinds of tasks. The proportional method can be applied to most regular tasks, such as road improvements, irrigation system construction, housing refurbishment and other tasks for which investment per unit and the workload are easily estimated. (b) The performance linked incentives method can be applied when social organizations lack capacity and cannot meet expectations for service quality. (c) The cost-covering method can be applied to secure and encourage social organization participation in cases where task difficulty and workload are uncertain, where the working environment is worse and social organizations feel insecure. (d) The person-month method is the most reasonable means of pricing, but requires significant experience in its use. Pioneering projects that employ innovative poverty reduction approaches and those facing many complicated issues and uncertainties tend to use this method.

(3) Determining procurement methods for each specific poverty reduction task

Which procurement method should be applied for which specific poverty reduction task? There are five options: quotation, negotiation, invitation to tender, open tender, and long-term contract. The characteristics of these five methods are listed in Table 7.

Open tender, invitation to tender, and quotation are forms of competitive procurement, whereas negotiation and long-term contracting are non-competitive procurement methods.

Procurement of poverty reduction services in poor localities should not follow the fad for competitive bidding processes—there are already very few social organizations in these places and their service quality varies markedly.

Table 7: Characteristics of five common procurement methods for poverty reduction services

| Method | | Major Characteristics | Conditions of use |
|--------|-------------|---|---|
| 1 | Quotation | <p>Select the best candidate from among several options. Select the candidate that satisfies the needs and requirements at the lowest proposed price. Pros and cons: Simple process and easy to review.</p> | <ul style="list-style-type: none"> ● When easy to measure service quality. ● When social organizations are mature and there are many potential providers. |
| 2 | Negotiation | <p>Hold face-to-face negotiations with several potential providers to collect key information and reach agreement on implementation and cost arrangements. Select the most appropriate provider. Pros and cons: Easy to target special needs and require potential providers to commit accordingly; reducing transaction costs and errors. However, negotiation is less competitive and has a potential loophole for selection bias and other irregularities.</p> | <ul style="list-style-type: none"> ● When there are significant uncertainties (e.g., uncertain content, approach, cost, and impact evaluation). ● When there are few social organizations, they lack experience and capacity to provide services, and can easily misunderstand tasks. |

| Method | | Major Characteristics | Conditions of use |
|--------|-----------------------------|--|--|
| 3 | Invitation to tender | <p>Invite several mature and dependable social organizations to competitive tender. Draw on existing knowledge to identify at least three apparently qualified social organizations. Select one through a competitive bidding process. This is a limited competitive tender.</p> <p>Pros and cons: Reduced transaction costs, comparatively fair, with control for bias and other irregularities. However, collusive bidding may occur.</p> | <ul style="list-style-type: none"> ● When there are many social organizations, but few are qualified. ● When there is no need for a complicated process for low priced tasks. |
| 4 | Open tender | <p>Select the best provider through public posting of information and a standard tendering process. Select the social organization with the lowest price that can provide the same quality of services, based on rules and measures that are publicized in advance.</p> <p>(Voucher issue for trainings is a variation on open tendering that allows trainees to choose their preferred training provider).</p> <p>Pros and cons: Reasonable price, fair and transparent, with control for bias and other irregularities. However, it has higher transaction costs, a complicated process, and collusive bidding may occur.</p> | <ul style="list-style-type: none"> ● When it is easy to measure the quality of services. ● When social organizations are mature and there are many providers and a good supply of poverty reduction services. |
| 5 | Long term contract | <p>Certain poverty reduction services are assigned to social organizations that are considered mature and dependable. Can request an audit agency to audit funds utilized for poverty reduction by all organizations participating in poverty reduction activities or ask a reputable and professional social organization to undertake a third party evaluation of local poverty reduction programs as contracted outsourcing.</p> <p>Pros and cons: low transaction costs, good cost control, but less competitive.</p> | <ul style="list-style-type: none"> ● When there are special demands for service providers, such as special professional skills or security requirements. ● When there are long-term ongoing needs and only one or two social organizations are qualified to provide these services over the timeframe. |

(continued overleaf)

A simple way to determine the procurement method:

- **For easy tasks, a call for quotations can be the main procurement method.** Poverty reduction agency staff directly requests quotations from potential service providers and then assign the tasks to the lowest price bidder.
- **For regular tasks, open or invited tendering can be key methods.** Procurement information should be publicly posted to attract competent social organizations. Invitations could be sent to mature, competent, and dependable social organizations which have not responded to open bidding.
- **For difficult tasks, contract negotiation could be the major method.** In addition, existing projects designed by social organizations themselves could also use the negotiation method to procure poverty reduction services.
- **For specialized tasks** that require professional skills, security, and other aspects, a long term contract could be used to determine the service provider.

(4) Developing a Scope of Work for Poverty Reduction Tasks

For each specific procurement task, a Poverty Reduction Task Scope of Work should be developed by consulting outcomes from previous detailed activity designs and clearly defining and describing what is to be purchased. Key questions will include: What does the specific task do? Where will it occur? Is it in one village or multiple villages? Is it far away or nearby? What are the transport conditions? Purchasers and service providers can discuss and assess cooperation and various transactions based on the same understanding of requirements and quality standards, including a detailed description of the target groups, project scale, locations, implementation approach, resources and required quality standards. Thereafter, the Poverty Reduction Task Scope of Work would become the underpinning document for signing contracts between Party A (government) and Party B (the social

organization) (Figure 14). The main contents of the Poverty Reduction Task Scope of Work are outlined in Table 8.

Figure 14. The Poverty Reduction Task Scope of Work forms the foundation for signing contracts between government and social organizations

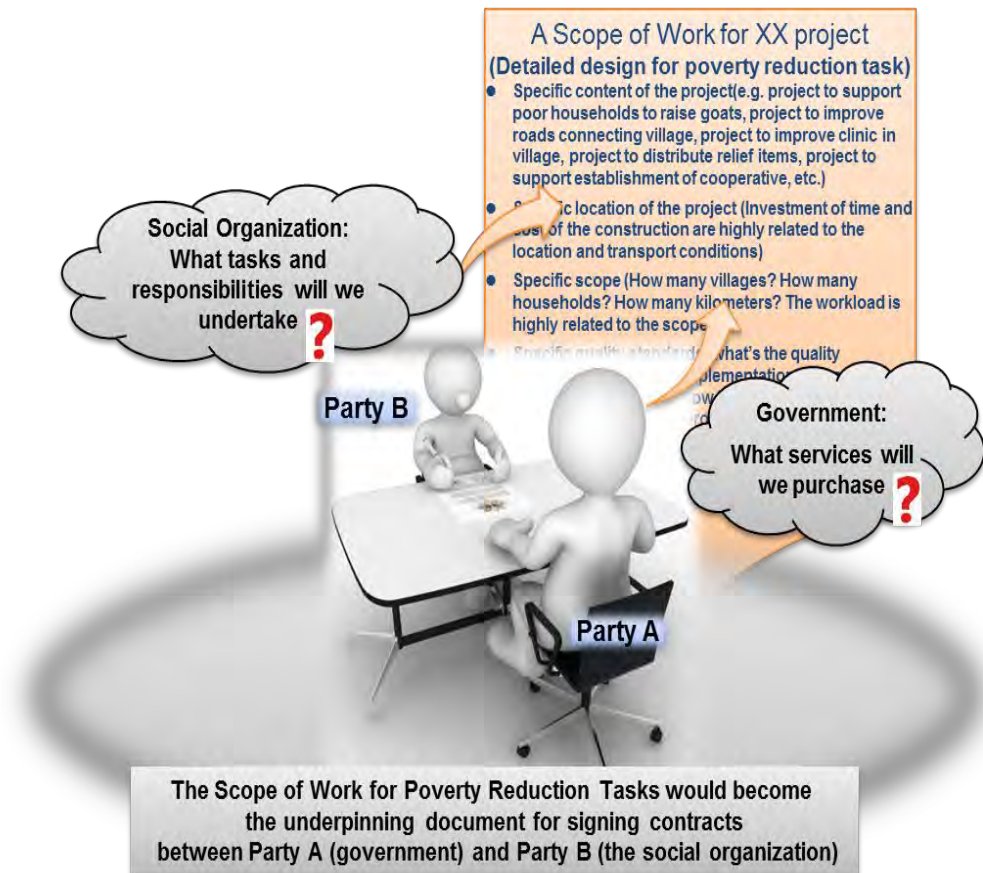


Table 8: Main contents of the Poverty Reduction Task Scope of Work

| No. | Content | |
|-----|---|--|
| 1 | Name of task (content). | |
| 2 | Target group (number of villages and households, who are the target groups, basis for their selection, and characteristics of the beneficiaries). | |
| 3 | Location and boundary (which townships and which villages?) | |
| 4 | Scale of the task. | |
| 5 | Work approach and engineering requirements (Is a participatory approach to be used? Does the task involve any key technical measures? What is the degree of task difficulty? Are there requirements about other issues such as beneficiaries to be targeted, follow-up project management, or construction safety?) | |
| 6 | Expected results of the task. | |
| 7 | Inspection and acceptance method(s) (Who should do the inspection? When and how?) | |
| 8 | Post-completion task evaluation (What indicators and standards? How to collect data? How to evaluate the task?) | |
| 9 | Deadline for the task (duration). | |
| 10 | Task funding (How much direct investment? Amount of service fee to be charged by the social organization, including administrative cost?) | |
| 11 | Challenges and difficulties that social organizations are anticipated to face (what are the challenges? What incentives to overcome key challenges? Where are the risks? How to deal with the risks?) | |
| 12 | What support does government provide to social organizations (What else could government provide in addition to direct investment and service fees? e.g., coordinating lower level governments to support project implementation, coordinating departments to provide technical support and services, etc.) | |
| | | Gathering information and developing the Poverty Reduction Tasks Scope of Work |

2. Developing a List of Poverty Reduction Tasks for Procurement

The List of Poverty Reduction Tasks for Procurement is developed through compiling all the detailed design requirements for the poverty reduction tasks. The main contents will include the name of each poverty reduction task, together with its brief description, amount of direct investment for poverty reduction, the service fees, procurement method, and total investment (see Table 9).

Table 9: List of Poverty Reduction Tasks for Procurement in XX county in XXXX year

| Name of poverty reduction task for procurement | | Brief description of poverty reduction task | Procurement method | Investment | | |
|--|---|---|--------------------|-------------------|-------------|---------------------|
| | | | | Direct investment | Service fee | Total |
| Easy tasks | Task 1 | | | | | |
| | Task 2 | | | | | |
| | | | | | | |
| | | | | | | |
| | Task N | | | | | |
| Regular tasks | Task1 | | | | | |
| | Task2 | | | | | |
| | | | | | | |
| | e.g. XX Village project to support poor households to raise goats | | | | | |
| | Supporting poor households to raise goats in XX river basin project | | | | | |
| | | | | | | |
| Difficult tasks | Task N | | | | | |
| | Task 1 | | | | | |
| | Task 2 | | | | | |
| | | | | | | |
| | | | | | | |
| | Task N | | | | | |
| Total | | | | | | Σ= Total investment |

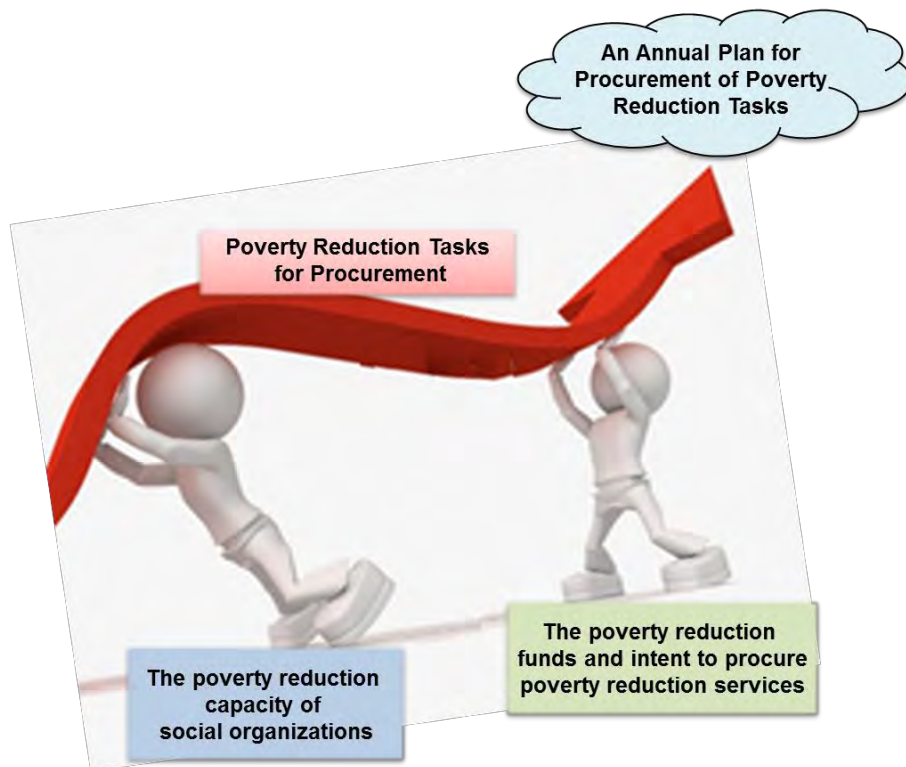
Service fee = implementation cost + management fee

Please note that each listed poverty reduction task has a Poverty Reduction Task Scope of Work as its basis for future procurement.

3. Matching procurement funds and developing an Annual Plan for Procurement of Poverty Reduction Tasks

The basic feature of a good procurement plan is a high correlation between poverty reduction funds needed and the service capacity of social organizations (Figure 15). The essential point is to ensure that poverty reduction funds and social organization poverty reduction capacity are sufficient to achieve the outsourced poverty reduction tasks.

Figure 15: Can the poverty reduction funds and poverty reduction capacity of social organizations achieve the out-sourced poverty reduction tasks?



This balancing process requires continued adjustment:

- First, the number of outsourced poverty reduction tasks is determined by the amount of poverty reduction funding. Less funding means less procurement

of poverty reduction tasks. Poverty reduction tasks that are too difficult or not urgent can be scheduled for the following year. Tasks under exploration, that are innovative, demonstrative or closely related to time-bound policy goals, should be prioritized for procurement, together with urgent tasks.

- Second, the scale of poverty reduction services to be procured is determined by the capacity of local social organizations to undertake poverty reduction services. The greater the existing local social organization capacity, the more tasks that can be procured and vice versa. The list of local social organizations categorized by capacity indicates which categories have more social organizations able to undertake poverty reduction tasks at the relevant level. More poverty reduction tasks can be procured from social organizations in this category. Difficult tasks can only be procured if mature and dependable social organizations are listed.

An Annual Plan for Procurement of Poverty Reduction Tasks is developed through increasing, decreasing, or otherwise adjusting the List of Poverty Reduction Tasks for Procurement. This balances the available poverty reduction funds with the procurement of poverty reduction services from social organizations capable of providing them.

4. Convening a county level workshop with government agencies

A county level workshop with government agencies on government procurement of poverty reduction services from social organizations can stimulate awareness, discussion, and consensus-building on engagement and coordination among stakeholder departments. It also facilitates understanding and support from other partners. Past experience indicates that this is very important for promoting new initiatives.

At least two coordination meetings should be convened at county level before the procurement of poverty reduction services from social organizations officially commences. It is also recommended to try and clarify key management principles before-hand.

Several topics that could be discussed in the county level workshop include:

- What poverty reduction tasks can be locally procured from social organizations?
- What to do if the service fee exceeds 2% of direct poverty reduction funding? Measures for the Administration of Special Government Finance Funds for Poverty Alleviation (2011) state that (a) the program management fee should be 2% of direct poverty reduction funding, or (b) a certain amount of special government poverty alleviation funds can be allotted as a management fee on the basis on poverty reduction activity needs.
- Who undertakes procurement?
- How to identify qualified social organizations?
- What to do if local social organizations are relatively inexperienced and their poverty reduction capacity is weak?
- How to measure the quality of poverty reduction services provided by social organizations?
- Can a new social organization be created under a government agency to undertake the poverty reduction tasks assigned by government?
- Is the relationship between government and social organizations a superior-subordinate relationship or an equal one?
- What policies and measures could government introduce to promote the new initiative for government procurement of poverty reduction services?

The aim of this discussion is to publicize the activity and its rationale, increase understanding, address possible misunderstandings, promote transformation in county government department perspectives, and achieve consensus on how to implement procurement in practice. It may also stimulate thoughts on overcoming potential challenges.

The outcome of the county level workshop should be reflected in the Implementation Regulations for Procurement of Poverty Reduction Services from Social Organizations. Workshop participants could include the county Poverty Alleviation Office, Finance Bureau, Civil Affairs Bureau, Bureau of Industry and Commerce, Development and Reform Commission, Ethnic and Religious Affairs Commission, Agriculture Bureau, Forestry Bureau, Disabled

Persons" Federation, Women"s Federation, Audit Bureau, Discipline Inspection Department, and Supervision Bureau.

5. Establishing a procurement management system

Procurement of poverty reduction services is a new process, and its management is still being explored and developed. Its regulations should be initially designed on the basis of guiding current work and adjusted as necessary in future. Each county is recommended to make its own Implementation Regulation for Procurement of Poverty Reduction Services from Social Organizations in XX County (Table 10), and to explore and develop further on the basis of this management system. Therefore, Table 10 is only an example for reference.

Table 10: Possible content for the Implementation Regulation on Government Procurement of Poverty Reduction Services from Social Organizations in XX County

| | |
|---------------------------|--|
| Objective | Why is government procurement of poverty reduction services from social organization being promoted? |
| Guiding thoughts | |
| Basic principles | <p>What to do? (a brief introduction on what to procure, who to procure from, and who is the target population)</p> <p>Principles for promoting the work (examples only)</p> <ul style="list-style-type: none"> ✧ Graduated procurement ✧ Putting quality before quantity ✧ Targeting poverty reduction needs ✧ Innovating procurement policies for poverty reduction services ✧ Letting social organizations learn by doing ✧ |
| Implementation procedures | <p>Step by step implementation</p> <ul style="list-style-type: none"> ✧ How to design poverty reduction tasks and complete the Poverty Reduction Tasks Scope of Work ✧ How to assess social organization suitability ✧ How to determine the procurement method ✧ How to estimate the poverty reduction services fee ✧ How to undertake procurement ✧ Major contract provisions ✧ How to monitor task implementation ✧ How to evaluate and take receipt of the project |
| Management requirements | <p>Key management requirements</p> <ul style="list-style-type: none"> ✧ Who should undertake the procurement |

| | |
|---|--|
| | <ul style="list-style-type: none"> ✧ Procedures for allocating and transferring funds ✧ Financial management requirements ✧ Posting public notifications ✧ Handling complaints and risk management ✧ Avoiding rent-seeking ✧ Providing government coordination and support |
| Leadership support and institutional safeguards | <ul style="list-style-type: none"> ✧ Clarifying leadership responsibilities ✧ Clarifying government agency supporting roles and responsibilities |
| Other | <ul style="list-style-type: none"> ✧ Supporting local social organizations (by lowering the task entry threshold, actively supporting social organization development, and improving their capacity to provide poverty reduction services) ✧ |

Pointers:

1. Prioritize preparatory work. Hasty commencement of a complicated task without adequate preparation will certainly create problems. It is necessary to: (a) prepare solid, detailed designs for poverty reduction tasks, (b) coordinate support from various county government agencies, and (c) prioritize establishment of a procurement regulation and system. Past experience indicates that good initial preparation is necessary for good results.
2. The term tasks has different meanings in different lists. For example, the term tasks in the lists for easy poverty reduction tasks, regular poverty reduction tasks, and difficult poverty reduction tasks refers to poverty reduction tasks that have not been designed in detail. It only indicates that the poverty reduction work can be assigned to social organizations to implement through procurement. However, in the List of Poverty Reduction Tasks for Procurement, each poverty reduction task has been designed in detail with clear information on elements such as the target population, target village(s), and activity coverage, as well as the amount of poverty reduction funds, the designated service fee, and procurement method. This is now a poverty reduction task ready for outsourcing.

3. Detailed design of poverty reduction tasks actually refers to a rough design without detailed elements such as a program proposal, and certainly not a feasibility study. To simplify outsourcing, the detailed design of poverty reduction tasks just refers to tasks in general and includes information such as which village, how many people, the scope of work, key technical requirements, amount of funds for direct poverty reduction, the stipulated service fee, quality requirements, and instructions on measuring and evaluating results. When the social organization actually undertakes XX task on the basis of the Poverty Reduction Task Scope of Work, an implementation plan for XX poverty reduction task will be developed to determine whether this social organization is able to provide services according to the detailed task requirements.
4. Close attention should be given to relevant policies when developing Implementation Regulations for Procurement of Poverty Reduction Services from Social Organizations. The important role of social organizations in undertaking targeted poverty alleviation has still not been widely recognized, and there are gaps between existing policies and practices for procuring poverty reduction services from social organizations. For example, who should undertake procurement? How to transfer funds? Those questions and jurisdictional issues can be debated endlessly. First, it is necessary to persuade your supervisor, then raise issues of workload and difficulty during the county coordination meeting where discussion will yield a clearer strategy on implementation. However, this is premised on having a clear understanding of both new and past policies, being able to identify contradictory content, and knowing which policies to follow, which to ignore as outdated, and which require exploration.

It is suggested to study the following policies: Measures for the Administration of State Funds for Poverty Alleviation (1997), Measures for the Administration of Special Government Finance Funds for Poverty Alleviation (2011), Regulation on the Implementation of the Government Procurement Law of the Peoples Republic of China (2015), Opinions on the

Innovation of Mechanisms to Make Steady Progress in Rural Poverty Alleviation (2013), the Implementation Plan on Innovation of Social Participation Mechanisms for Poverty Reduction (2014), the Decision of the Central Committee of the CPC and the State Council on Fighting the Tough Battle Against Poverty (2015), and the Opinion on the Reform of the Social Organization Management System and Promotion of the Healthy and Orderly Development of Social Organizations (2016).

Step 5: Undertake procurement

Objective: Use the Annual Plan for Procurement of Poverty Reduction Tasks to outsource projects

Output: Sign contracts for social organizations to undertake poverty reduction tasks

Procedures:

1. Publicize procurement information

Use results from previous preparatory work to identify and develop information on the social organizations providing poverty reduction services in XX County. A comprehensive list of required information should include:

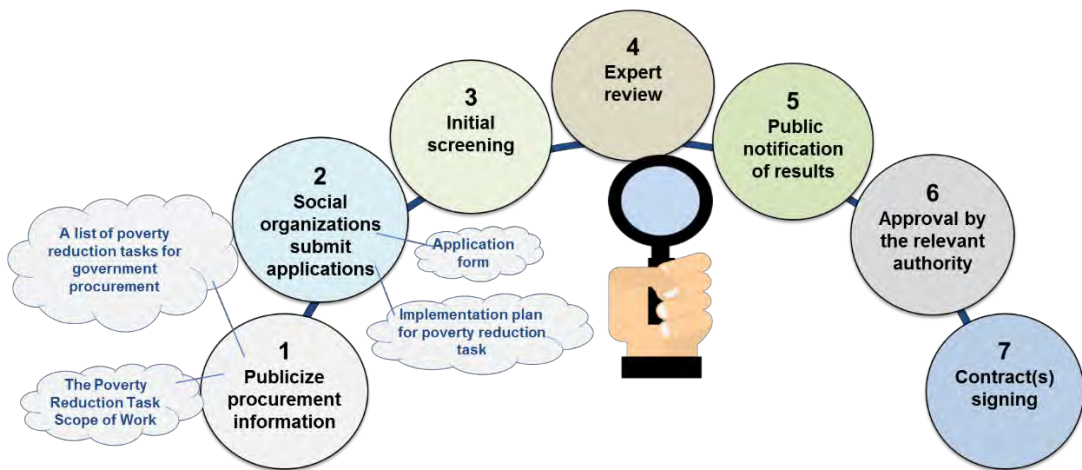
- The objectives and meaning of government procurement of poverty reduction services from social organizations.
- A list of poverty reduction tasks for government procurement based on procurement methods and tasks in the Annual Plan for Procurement of Poverty Reduction Tasks, classified into three categories (quotation, negotiation and tender).
 - ✧ Expression of interest tasks are easy tasks that require potential providers to bid.
 - ✧ Negotiated tasks are complicated tasks, and interested parties should register first and then participate in negotiations.

- ✧ Tender tasks include tasks for open tender and invited tender, and involve a panel of experts to review and decide on the procurement.
- The Poverty Reduction Task Scope of Work for each task to be outsourced through the annual plan: The Scope of Work states the key information about each poverty reduction task, such as the target population, location, scale, direct poverty reduction investment and operation costs, requirements for the work approach and project construction, expected results, deadline for completion, methods of evaluation and acceptance, and measures and support from government.
- Required qualifications for social organizations undertaking poverty reduction tasks.
- Social organizations need to prepare the following documents:
 - ✧ An application form (including the name of the organization, tasks it hopes to undertake, thoughts on the poverty reduction funding arrangements in the Poverty Reduction Tasks Scope of Work, measures it will take to ensure accomplishment of the task(s), and commitment to the quality of poverty reduction work).
 - ✧ A detailed and practical Implementation Plan for the task(s) that the social organization hopes to undertake.
- Information about the application time, location, and relevant documents.
- A brief introduction to the **review method**;
 - ✧ Review process (Figure 16): Publicize information on the call for expressions of interest → social organizations prepare documents → initial screening → expert review → public notification of results → approval by the relevant authority → contract(s) signing.
 - ✧ Expert review: Criteria, methods (whether to score, weight each indicator, and calculate the final score), public notification, and handling of complaints.
- Plan for special cases (for instance, where a social organization wants to revise the Poverty Reduction Task Scope of Work and then design the implementation based on the revised scope of work. Competent social

organizations should be given the flexibility to design these poverty reduction tasks by themselves).

Information should be publicized through multiple media channels, such as TV, radio, newspapers, and new media, social media, and government websites.

Figure 16: Process for reviewing procurement for poverty reduction services
(implementation process of procurement)



2. Initial screening of poverty reduction service providers

The initial screening aims to rule out clearly inappropriate candidates and reduce the number of applications requiring expert review, especially in locations where there are many providers. Clearly inappropriate candidates could include those:

- Unable to understand, or unwilling to accept, the Poverty Reduction Task Scope of Work. This kind of organization lacks capacity and clearly cannot complete the poverty reduction task(s). It includes candidates that want to change the target population; plan to distribute poverty reduction funds equally; or use funds beyond the target village(s). It also covers candidates that do not understand, or are unwilling to accept, government policies and

measures for targeted poverty reduction. These applicants only want to use the opportunity to do things that interest them.

- Disqualified organizations. This includes social organizations that are unregistered, do not have a work team, are documented as having a bad reputation, or having created a negative influence. Social organizations from beyond the locality should not be excluded as a matter of principle, especially if they have relevant skills and specialties. Competent external organizations should be particularly valued and appreciated during the initial stage of poverty reduction task outsourcing when other social organizations are fewer and less competent. Efforts should be made to attract and encourage external organizations to fully participate.
- Unable to meet document requirements after repeated attempts and revisions. Missing information or errors can occur in submitted documents and is not sufficient reason to exclude a social organization. The application process is not a writing competition where those that cannot write application documents well to or not to that write poorly are excluded. Requested revision and provision of supplementary information is reasonable and will assist in successful completion of information. However, a social organization that is unable to submit qualified application documents after repeated revisions has a capacity issue. These organizations may need to wait for the next opportunity or to receive capacity-building training.
- Incompatible with the principle of graduated procurement. Applicants should be carefully checked against the List of Social Organizations categorized by their capacity, so that relatively difficult tasks are not assigned to newly-established and less skilled social organizations. Such a mismatch would lead to poor quality poverty reduction programming, and to social organizations becoming frustrated. In general, learning and developing social organizations can only undertake easy tasks and moderately competent social organizations can undertake both regular tasks and easy tasks. Only mature and dependable social organizations can undertake tasks in all three categories.

3. Expert review

- Three tasks for expert review

- ✧ Discuss reviewing methods and associated risk assessment for application documents received in response to the call for expressions of interest;
- ✧ Discuss recommendations and key elements of poverty reduction tasks for negotiated commission;
- ✧ Focus on review of application documents for tendered tasks to determine the best service provider.

- Expert panel composition

The expert panel has more than three members from different agencies, with different professional backgrounds, who are familiar with rural areas and poverty reduction, and have adequate experience in project design and implementation. Experts should be independent, neutral, objective, and impartial. Experts with potential conflict of interest should not be selected. Less than one-third of the panelists should come from within the government poverty reduction system.

- Key review indicators

A social organization should be reviewed from the following angles to assess its suitability for undertaking poverty reduction tasks (Figure 17):

- ✧ **Implementation Plan targets.** Can each measure and action benefit the target population directly and achieve poverty reduction objectives?
- ✧ **Implementation plan practicality.** Are planned actions sufficient? Is the timeframe reasonable? Do detailed measures give due regard to local context?
- ✧ **Work team capacity.** Are personnel sufficient? Do personnel have the capacity and experience to accomplish the poverty reduction task?

- ✧ **Enablers and advantages.** What does the organization plan to provide to facilitate task achievement and what are the advantages of the organization?
- ✧ **Organizational development.** Does this social organization have the potential to become a healthy organization that can provide stable poverty reduction services over the long term?

The first three indicators are critical. Organizations that fail one of these should be removed from the list. Two organizations that rank equal or closely should be reassessed using only the last two indicators.

Figure 17: Major review indicators

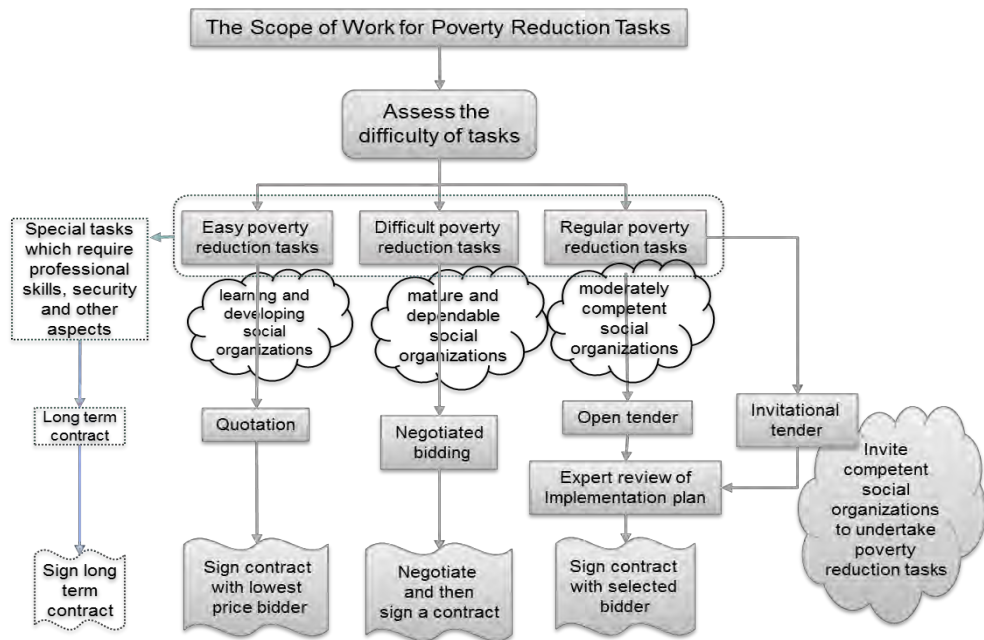


- Select the social organization to provide the poverty reduction services

Use the graduated procurement principle to identify the social organization to provide outsourced poverty reduction services (Figure 18).

Figure 18: Determine the poverty reduction services provider based on the principle of graduated procurement

Based on graduated procurement principle determine the poverty reduction services provider



4. Public notification of results

Selection results should be publicized in a designated place, usually in the media where the expression of interest information was earlier publicized.

Public notification content includes:

- Quotation tasks: names, service providers, service fee.
- Negotiated bidding tasks: names, service providers, service fee.
- Tendered tasks: names, service providers, service fee.
- Long term contract tasks (if any): names, service providers, service fee.
- Names of the expert review panelists.
- Name of the purchasing organization, compliance hotline and deadline for reporting.

5. Approval by authority

After any, and all, complaints are solved, an authorized person or group will review and sign the final confirmation of results for government procurement of poverty reduction services from social organizations in accordance with the procedures for administrative examination and approval.

6. Sign procurement contract(s)

A contract(s) is signed on the basis of the Scope of Work for Poverty Reduction Tasks, the Implementation Plan, and the Implementation Regulation on Procurement of Poverty Reduction Services from Social Organizations in XX County. The title of the contract(s) should be XX social organization undertaking XX poverty reduction task agreement. Refer to Table 11 for detailed contents of the contract(s). The Scope of Work for Poverty Reduction Tasks and the Implementation Plan form annexes to the contract(s).

Table 11: Key content of contract(s) for government procurement of poverty reduction services from social organizations in XX County

| | |
|--|--|
| <ul style="list-style-type: none">● Contract title (XX social organization undertaking XX poverty reduction task agreement)● Contract reference number● Names of the two parties (signatories)● Name of the poverty reduction task● Objective(s) of the poverty reduction task● Target population and beneficiaries● Requirements for the work approach or construction project● Scale of poverty reduction work and social organization workload● Poverty reduction funds and service fee | <ul style="list-style-type: none">● Expected results (requirements for quality of services or construction project)● Fund allocation and transfer (dates)● Government coordination and support● Inspection and acceptance● Impact evaluation● Dispute resolution● Annexes● Contract date of effectiveness and completion● Signature and seal |
|--|--|

It is important to pay attention to the language of the contract(s), and have a legal advisor review and revise the contract(s) to improve accuracy of the contract language, and ensure its legitimacy from a legal perspective.

Attention should also be paid to contract management, such as contract numbering and document management.

Pointers:

- A) In the initial screening stage, newly-established and developing social organizations with good potential should not be ruled out on the basis of imperfect paperwork and documentation.
- B) Guide the expert panel to focus on targets in, and practicability of, the Implementation Plan and the capacity of the implementing social organization. Do not be drawn into discussing the writing style or academic standards, which is a common but mistaken approach among experts. Panel experts should have real project implementation experience, real knowledge on how to avoid traps and overcome challenges, and familiarity with the difficulties and challenges of poverty reduction tasks.
- C) Avoid common pitfalls in contracts. Be sincere and avoid setting traps in contracts. Do not leave an escape clause for delay in fund transfer and impute blame to others.

Step 6: Support and monitoring

After contract signing, the project enters the implementation and monitoring stage.

Local government poverty reduction agencies are the management party with management liability and ultimate accountability for the poverty reduction task. The agency therefore retains responsibility after contract signing and the social organization begins task implementation. The government poverty reduction agency ensures timely fund transfer, coordinates support for the social organization(s), and tracks progress and quality. This involves a process of both monitoring social

organizations and also supporting social organizations in task completion and social organization development.

Objective: Support and monitor social organizations to implement poverty reduction tasks.

Output:

- a) Ensure that funds are transferred on time.
- b) Coordinate and support social organizations to implement poverty reduction tasks.
- c) Monitor progress and quality.
- d) Handle complaints.
- e) Provide appropriate assistance and help foster social organization development.

Procedures:

1. Fund transfer

Take measures to ensure timely transfer of poverty reduction funds.

2. Coordination and support

Coordination and support refers to:

- **Coordinating township government, the village committee, and the village party committee to provide administrative support to social organizations** for poverty reduction project implementation, including for community participation, creation of project management teams in communities (if needed), coordination of labor inputs, and construction safety supervision.
- **Coordinating related departments to provide technical support and services** to social organizations for poverty reduction tasks, such as technical training, agricultural technical field guidance, and specialist consulting services.

- **Assisting social organizations to solve problems in time**, such as trust issues, financial paperwork issues, and tax deductions.
- **Coordinating local social organizations to strengthen mutual support, exchange, and communication with government.** For instance, an annual social organization work meeting could be convened for government agencies and social organizations to discuss challenges and potential solutions in targeted poverty alleviation.

3. Monitor progress and quality

- **Regularly monitor task progress:** including completion of major activities and milestones, realization of benefits for target populations, and use of poverty reduction funds. Members of local Peoples Congresses, People's Political Consultative Committees and members of non-Communist parties could be energized to support social organizations in implementing poverty reduction tasks, and to regularly inspect task progress, check completion and results, and to monitor and respond to problems.
- **Supervise the quality of big construction projects.** In accordance with state regulations, projects that exceed a certain scale require stronger quality supervision, including assignment of a person responsible for supervising and monitoring project quality. It is important to remind the construction contractor and social organizations to maintain construction safety, prepare against natural disasters, and take preemptive measures to prevent and handle construction accidents and disasters.

4. Complaints handling

- **Create a complaint handling system.** The poverty reduction service agency needs to publicize a compliance hotline, clarify outsourcing responsibilities, and create a complaint handling mechanism to ensure timely response to all complaints, and ensure problems are identified and solved in time and poverty reduction tasks completed. For instance, a person can be assigned to receive complaints at community level and report these independently to higher authorities. Once a complaint is received, an

investigation should be conducted and the problem resolved in accordance with regulations that have been established in advance.

5. Appropriate assistance and help for social organization development

- **Understand the necessity of supporting social organization development.** Government has a responsibility to support social organization development. Social organizations provide services to government and government is the only purchaser of these services. It is impractical for government to await social organization improvement. From a development perspective, it is procurement that increases the number, and improves the capacity, of social organizations. Without such support, it is impossible to solve the problem of „double shortage“ of sufficient poverty reduction service providers and low capacity of some existing providers.
- **Require the principle of supporting while employing.** The demand for poverty reduction services is huge, and the number of social organizations, and their capacity, is far from sufficient. So it is necessary to support social organizations to develop and meet these huge demands. „Supporting while employing“ is the only viable strategy that lets social organizations develop through both contributing to poor communities and improving their own capacities. Opportunities should be identified at county level to properly support social organization development and overcome the „double shortage“ problem. Finding non-local support could also hasten the achievement of local poverty reduction goals.

Pointers:

1. It is extremely difficult to coordinate expert support and services effectively.
2. It is necessary to create an effective complaint handling system, whilst also maintaining a comfortable environment for social organizations to effectively implement poverty reduction tasks.

Step 7: Project acceptance, evaluation, reflection, and feedback

Objective: Inspect, accept, and evaluate the results of social organization contracted poverty reduction services.

Output:

- a) An evaluation of contracted poverty reduction tasks implemented by social organizations.
- b) Local experience on procurement of poverty reduction services from social organizations.

Procedures:

1. Promote social organization self-checking of progress in poverty reduction task implementation

Social organizations should conduct self-checking according to the inspection and acceptance provisions in the agreement on XX social organization undertaking XX poverty reduction task. This involves comparing real progress with key indicators. Social organizations should make timely changes to address any problems identified. If there are no problems, the social organization can inform the poverty reduction outsourcing agency to undertake a formal inspection and acceptance.

Key indicators are generally derived from the expected results of the Poverty Reduction Task Scope of Work and implementation requirements and expected results in the XX social organization undertaking XX poverty reduction task agreement. Those indicators should focus on targeting the right groups, completion of poverty reduction activities, use of poverty reduction funds, results produced by the poverty reduction services, and resident satisfaction. Some poverty reduction tasks focus more on efficiency of fund utilization, sustainability of impacts, and equity of benefit distribution.

2. Government acceptance inspection and evaluation

Government uses its inspection and acceptance procedure to assess poverty reduction task completion. This principally involves establishing an inspection acceptance group, determining key indicators (forming a set of indicators by adding

or deleting indicators drawn from self-checking indicators and acceptance requirements). Having many key indicators is less desirable than having indicators that reflect the real situation of task implementation and completion, and that are simple and easy to be use.

Different indicators should be used for different poverty reduction tasks. The focus of formal acceptance inspections is on benefits to the target population, completion of poverty reduction activities, community member satisfaction, poverty reduction fund use and efficiency, construction project quality and impact, and social impacts. Large construction projects should have audited final accounts. In addition, a financial audit should be scheduled to inspect utilization of poverty reduction funds and to avoid poverty reduction fund misuse.

3. Third party evaluation

An annual spot check should be performed to inspect the progress of poverty reduction tasks outsourced to social organizations. Third party evaluation is the main method for undertaking these spot checks.

The key to third party evaluation is to be independent, neutral, and objective.

Suggested key content for third party task evaluation includes:

- Investment
- Outputs
- Results
- Impact
- Target population satisfaction
- Social justice and gender equity
- Efficiency of poverty reduction investment
- Sustainability
- Completion of the agreement

Third party evaluation procedures involve:

- Creating an evaluation team with diverse backgrounds

- Researching and reviewing secondary data
- Preparing an evaluation plan
- Conducting field investigations
- Analyzing data collected
- Producing and submitting the report

4. Participatory evaluation

Participatory evaluation refers to a process in which the target population (for example, poor women), evaluates task completion, results achieved, and levels of beneficiary satisfaction with the poverty reduction activities. This is a popular evaluation method for difficult tasks that are hard to measure.

The results of a participatory evaluation depend on the way the evaluation leader understands participatory evaluation methods. A person without experience is unable to assist beneficiaries to establish a proper set of indicators. Poorly devised indicators focus on unimportant elements, or may be too many or too detailed.

Procedures for undertaking a participatory evaluation include:

- Creating a community evaluation team composed of target beneficiaries
- Developing an evaluation plan, and determining the indicators
- Investigating activities according to the evaluation plan
- Gathering data and analyzing the results

Participatory evaluation is concerned with both the results and the process of task implementation. It also focuses on critical points such as management, improvement in community governance and community management, strengthening the voice of women and vulnerable groups, and drawing experience from the participatory evaluation for future improvement.

5. The county level project closure and review meeting

This meeting reviews the work undertaken through outsourcing government poverty reduction services to social organizations.

Participants include: representatives from social organizations, beneficiaries and women's representatives, related county government agencies, local government leadership, the task purchasing agency, county level mass organizations, and representatives of various political parties.

The meeting would involve:

- **Experience exchange.** Social organizations would exchange their experiences in undertaking poverty reduction tasks. Beneficiaries and female representatives would offer opinions on the social organizations that provided the poverty reduction services.
- **Awards and recognition.** Individuals and social organizations that have fulfilled their tasks in an exemplary way would be recognized at the meeting.
- **Review and reflection on work undertaken.** The poverty reduction service outsourcing agency would give a speech to review the work in terms of results, progress, challenges, coordination between policies and field work, and support for social organization development and capacity building.
- **Leadership speech.** Leaders and related agencies would express their support, discuss problems, and make comments.

In addition, the agency that purchased poverty reduction services would convene workshops on specific topics to discuss challenges and potential solutions, as needed.

Pointers:

1. Identify the right evaluators. It is best to choose people familiar with (i) communities, poverty reduction and development work, (ii) the design and implementation of poverty reduction programs, and (iii) a social justice perspective toward the conduct of poverty reduction service evaluation. Third party evaluation should be independent and unbiased by the opinions of the client. The evaluation team should consist of men and women from diverse backgrounds with various perspectives. The voices of different stakeholder groups need to be heard during the investigation, especially those of women and others who may hold different opinions

from male household heads. It is difficult to lead beneficiaries to conduct a participatory evaluation that is objective and fair. Successful participatory evaluations are totally dependent on the experience of expert facilitators.

2. Integrate acceptance inspections and evaluations of poverty reduction tasks outsourced to social organizations into the existing government inspection and evaluation system.
3. Identify common problems in government inspections and evaluations, and design capacity building activities to strengthen the capacity of social organizations to provide poverty reduction services.

Chapter 3: Key elements and critical steps

Government procurement of poverty reduction services from social organizations is a new process that challenges poverty reduction agencies to respond in new ways. Past experience indicates that the successful promotion of this task will require focusing on five key elements and steps that are crucial to project success or failure.

3.1 Transform roles and functions

Government procurement of poverty reduction services from social organizations introduces a new governance structure for poverty reduction work. Poverty reduction agency staff can transform their roles and functions. However, this first requires staff to transform their attitudes and ideas. To better work in this new context, staff needs to focus on three transformations:

- Transformative thinking
 - **From the perspective of overall strategy and comprehensiveness, it is important to understand that social organizations comprise one of the three major pillars of modern social management.** Social organizations can help the Party consolidate and expand the foundations for governance. Secondly, social organizations are an important force in the PRC's establishment of socialist modernization.

"Social organizations are an important force in the PRC's establishment of socialist modernization".

"Reform of the social organization management system and support for the healthy and orderly development of social organizations is conducive to (a) defining and demarking relations between government, the market, and society, and to improving the socialist market system; (b) improving methods for public service provision and strengthening or making innovations in social governance; and (c) giving impetus to

social dynamism and consolidating and expanding the foundations for governance by the Party. Every locality and agency would fully understand the importance and urgency of doing this work properly, treating it as an important foundation, taking the initiative to adapt to the needs of new situations and new tasks, fully implementing related policies and measures, and ensuring the work is done properly and effectively”.

---General Office of the Communist Party of China Central Committee and General Office of the State Council. 2016. *Opinion on Reform of the Social Organization Management System and Promotion of the Healthy and Orderly Development of Social Organizations*. 21 August, 2016

- **Correctly understand social organization functions.** Social organizations work in places where governments and markets often fail. Social organization participation in poverty reduction can therefore help strengthen grassroots poverty reduction implementation capacity, and better target the needs of poor households, reduce poverty reduction fund misuse, avoid problems like window-dressing projects, and help broker or buffer misunderstandings between government and residents. When social organizations do a good job of poverty reduction, they contribute to government’s achievements in poverty reduction work.
 - **Eradicate stereotypes and skepticism.** From a long-term perspective, social organizations are partners with government, not destabilizing factors or obstacles for social management. Cooperation on poverty reduction between government and social organizations with complementary advantages can intensify poverty reduction efforts, improve targeting, and achieve better results. Greater cooperation is therefore desirable to create a better environment for the fuller activation of social organizations.
-
- Role transformation
 - **From ‘player + referee’ to ‘referee + resource provider’**
 - **From ‘leader + implementer’ to ‘guide + server’**

- **From doing poverty reduction work directly to facilitating others to do so**
 - **From directly implementing poverty reduction projects to procuring poverty reduction services from social organizations**
-
- Approach to transformation
 - **Moving from mainly relying on administrative orders toward greater dependence on policy changes plus price leverage; and from giving directly to purchasing poverty reduction action indirectly.**
 - **From government shouldering all the responsibility to an equal cooperation of complementary advantages.**
 - **From conventional management to modern management.** The management of procured poverty reduction services involves assessing needs and capacities to provide poverty reduction services, to undertake procurement negotiation, contract management, complaint handling, and monitoring and evaluation. It is a more complicated management process, with more changes to manage. As a result, it requires more management skill and will also face more challenges.

3.2 Who undertakes procurement?

It is suggested that county poverty reduction agencies be the purchasers of government procured poverty reduction services from social organizations. The rationale is that:

- Poverty reduction **requires a high level of professional skill**, and so it is very risky to entrust the task of procuring social organization services to an individual or entity that is unfamiliar with this field of work.
- Poverty reduction tasks **have a high degree of uncertainty** since their content and workload cannot be accurately defined and measured in

advance. This makes it difficult to pre-estimate the cost of poverty reduction services and also to measure and evaluate the results of poverty reduction services. These features make **large scale procurement of poverty reduction services difficult**.

- It is **difficult to apply competitive procurement** to outsourced poverty reduction service provision since the number of poverty reduction services providers is currently inadequate.

From a practical perspective, poverty reduction agencies are the best suited to work with social organizations that have adequate poverty reduction expertise. These agencies can act as purchasers to facilitate better targeting of poor people's needs; better monitoring the poverty reduction tasks undertaken by social organizations; and improving the impact, efficiency and outcomes of local poverty reduction work.

3.3 The relationship between government and social organizations

From the limited experience of cooperation between PRC government agencies and social organizations, poor relationship management appears to be a major reason for unsuccessful collaboration. When governments procure poverty reduction services from social organizations, what should be the relationship between government and social organizations? Is it a superior-subordinate relationship or an equal partnership?

International experience indicates that **government and social organizations should have an equal partnership**. It is necessary to understand the nature of this relationship in terms of a contract. Two independent parties reach an agreement on cooperation for poverty reduction through negotiation, and then sign a contract to clearly stipulate their mutual responsibilities and obligations. This kind of equal contractual relationship would help to improve poverty reduction services.

Such an equal relationship is conducive to forming mutual checks and balances. Otherwise, it is likely that the weak partner will quit because the other partner is too strong. This will result in a loss of poverty reduction service suppliers. A superior-subordinate relationship would likely result in government agencies

imposing their preferences on social organizations and directly giving orders to social organizations. This would cause innovative social organizations to become disappointed and frustrated, losing enthusiasm to work on poverty reduction, and ultimately adversely affecting the cause of poverty reduction.

An equal relationship can help restrain rent-seeking and corruption. Social organizations that lack independence would probably become government affiliates, and potentially provide opportunities for rent-seeking and corruption. Experience indicates that social organizations which lack independence tend to spend more energy ingratiating themselves and seeking resources and privileges to which they are not entitled. By comparison, independent social organizations leave less room for rent-seeking and corruption, creating a positive influence on social morals. And those organizations are less dependent on the resources of government.

So, **it is important to (a) maintain vigilance against changing the equal relationship between government agencies and social organizations** for promotion of government procurement of poverty reduction services **into a superior-subordinate relationship**; and **(b) to avoid poverty reduction agencies establishing their own affiliated social organizations to undertake poverty reduction tasks**. This would result in social organizations becoming subordinate or nepotistic—neither of which fosters improvement in the efficiency of poverty reduction work or the achievement of poverty reduction goals.

3.4 Supporting social organization development

Initially, the number and capacity of social organizations able to provide poverty reduction services will be insufficient in almost all locations. However, poverty reduction is a long term task. Problems of relative poverty will still remain after the „food and clothing“ problems of the absolute poor are overcome. A long term vision is needed for supporting the development of social organizations that work on poverty reduction. A clear strategy is also necessary for incubating social organizations and supporting social organization development. Some suggestions include:

- **Government creates an enabling policy environment for the development of social organizations working on poverty reduction.** This could include making clear supporting strategies for social organizations working on poverty reduction, prioritizing or lowering the requirements for their establishment, removing obstacles to their development, introducing/requiring innovations in poverty reduction governance, and providing space for social organization development. Difficult tasks should not be outsourced to a new social organization as a means of reducing burdens (Cui: 2015).
- **Government provides aid to support social organizations,** such as direct funding, providing work space, and operational costs.
- **Government provides policy support,** such as supportive or special procurement funding for poverty reduction social ventures, implementing social organization capacity building programs, tax breaks, platforms for exchange among social organizations, and motivating social organizations to undertake more poverty reduction tasks through award schemes, support for newly established social organizations, transforming old social organizations, and attracting non-local social organizations to play a role in local poverty reduction work.
- **Government provides administrative support.** This could include clarifying what services should be assigned to social organizations; ceasing the creation of official poverty reduction organizations below county level and promoting local social organization development instead; setting up an effective support system and strengthening communication between government and social organizations; promoting social organization internal governance; creating an exit mechanism for unqualified social organizations and ensuring social organization vitality; and preventing monopolization of the poverty reduction services market.

3.5 Complaint handling and risk management

Social organizations undertaking poverty reduction tasks can easily overlook complaint handling and risk management. However, these are both very important components. If handled poorly, the quality of poverty reduction services will be affected.

1. Complaints handling

Complaints are usually inevitable. Complaint handling therefore refers to a proper process for responding to, and dealing with, complaints.

- **Create a reporting system that includes rule making and regulations for complaint handling**, providing an accessible reporting channel, assigning staff to this system, and responding to complaints in accordance with regulations made in advance.

In an effective reporting system, complaints are reported to the right person. Availability of a complaints hotline can be publicized in communities, community focal points can be assigned, and the Village Committee and Village Party Branch can record complaints.

To improve reporting channel accessibility, community members need to clearly understand that they have the right to report to a higher level authority and to know how to do so.

- **Respond to complaints properly**. The essence of handling complaints is to make facts clear, and to resolve complaints based on facts, explaining or redressing as needed. If necessary, staff should immediately be sent to the field to investigate and respond to complaints accordingly.

A proper and decisive response to complaints is necessary to prevent problems occurring repeatedly. Good complaint handling can turn an issue around to achieve a positive outcome, preventing problems at the source, reducing risk, and increasing the likelihood of poverty reduction being successful.

2. Risk management

Be sensitive to the need for risk management, increase awareness of risk prevention, and cope calmly when things go wrong.

- **It is important to recognize that there are more risks in impoverished and ethnic minority areas.** One reason is that there are more sources for risk, such as natural disasters, accidents, funding delays, technical failures, markets risks, and religious, family, clan or gender related factors. Any of these could adversely affect program success and prevent social organizations from completing their task. So, it is important to prepare to address those risks in advance.
- **Increasing social organization risk awareness is a government monitoring responsibility.** Government should hold preparatory discussions with social organizations on preventing and responding to important risks. Responsibilities should be clarified through proper contract terms and conditions. It is not appropriate for social organizations to carry all the risks.

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