Social Services Outsourcing to Social Organizations in the HIV Sector in Yunnan Province

Unleashing social innovation or business as usual? Exploratory study

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Abbreviations

ACC	AIDS Care China
AIDS	Acquired Immune Deficiency Syndrome
CBO	Community-based organization
CDC	Center for Disease Control
FSW	Female Sex Worker
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GONGO	Government organized non-governmental organizations
HIV	Human Immunodeficiency Virus
HPI/GMR-C	USAID | Health Policy Initiative in the Greater Mekong Region and China
IEC	Information, education, and communication
MARP	Most-at-risk population
MSM	Men who Have Sex with Men
NGO	Nongovernmental organization
PLHIV	People living with HIV
PMTCT	Prevention of mother-to-child transmission
PWID	Person who injects drugs
RCC	Rolling Continuation Channel
RMB	Renminbi
SO	Social organizations
SSO	Social Services Outsourcing
STI	Sexually transmitted infection
USAID	United States Agency for International Development
VCT	Voluntary counseling and testing

Executive Summary

As international donors are withdrawing from funding China's HIV response, Chinese authorities have committed to closing the funding gap. This shift in funding sources has important implications for about 1,500 social organizations (SOs) active in the HIV sector in China because soon, through Social Service Outsourcing (SSO) programs, the government will become the leading source of funding for non-profits in the sector. This report is written in anticipation of a roll-out of SSO programs at different levels; the report's main objectives are to help stakeholders in Yunnan province prepare for this process and to formulate recommendations for program design.

Strategic documents such as the 12th Five-Year Plan for National Economic and Social Development 2011-2015 and the sectoral China Action Plan to Prevent and Control AIDS during the 12th Five-Year Plan Period provide strong policy frameworks for scale-up of SSO programs in the HIV sector and set forward the principles of multi-stakeholder governance, community construction, and professionalization of the SOs. Some experience in managing large programs with SOs participation was generated in the HIV sector through earlier programs funded through Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and other foreign funded programs. HIV service outsourcing to SOs, however, calls for new approaches for two reasons. First, SSO roll-out will be the first time when the work of SOs is funded at such a scale by the Chinese government and not through foreign donors. Second, introduction of SSO is an opportunity to tackle several structural problems that exist in the HIV sector.

In Yunnan province, we estimate that more than 180 SOs have been active over the last two years in the HIV sector, and this study has confirmed that at least 120 organizations among these are still active. SOs already shoulder responsibility for delivering a considerable portion of HIV services in the province. In fact, they are so indispensable that after the GFATM funding freeze in late 2010, many local governments started supporting the SOs through informal, local SSO projects because so little foreign funding was available.

This report recognizes that introduction of SSO does not automatically guarantee better quality services. The following six likely determinants of SSO program success in the HIV sector are identified:

1. First, the legal situation of many SOs and the lack of a supportive environment for their growth make it impossible for organizations to assume responsibilities under SSO programs.
2. SOs need basic financial stability if they are to become well-functioning partners of the government and deliver quality results.
3. Outcomes of SSO programs will be determined by the extent to which SSO management structures and procedures ensure equal and fair access for SOs. If fair access is to be ensured to SSO programs and if well performing SOs are to

be rewarded for their programmatic achievements, new mechanisms are needed for ensuring transparency and accountability.

4. The extent to which SSO programs recognize and make use of SOs' unique and varied capacities to contribute to HIV response is an important determiner of success.
5. Whether and to what degree capacity building programs are incorporated into SSO schemes will contribute to program sustainability.
6 Lastly, success of SSO programs will depend on investments made into performance review, evaluation and learning mechanisms, and the extent to which the government and SO stakeholders can collaboratively generate knowledge, learn from SSO programs, and gradually improve them.

This report postulates that determinants of SSO program effectiveness can be addressed through a concerted effort by all stakeholders. It also notes that Yunnan province is in a strong position to create an effective model of SSO in the HIV sector, contributing to nationwide social innovation. The following recommendations are made for consideration of main stakeholders of SSO programs in the province:

- Advocate for provincial or central level guidance on roll-out of SSO programs in the HIV sector.
- Promote registration of SOs in the HIV sector in a way that responds to SOs' needs and to the requirements of SSO programs.
- Ensure that SOs can recover core costs through SSO programs.
- Establish complementary SSO programs in the HIV sector at national, provincial, and sub-provincial levels.
- Ensure fair access to SSO to all SOs through open, competitive, and inclusive selection procedures.
- Ensure transparency of the bidding processes, SSO management, and results.
- Invest in developing capacity of officials who manage SSO programs.
- Enable SOs to utilize their strengths and capacities in SSO programs.
- Encourage sustainable approaches to community construction.
- Set up a model capacity building center in Yunnan province providing structured, tailored, long-term capacity building programs for HIV sector non-profits to further professionalization of SOs.
- Develop performance measurement tools and processes for outsourced HIV services and capacity to use these tools.
- Allow for an initial piloting and learning period for SSO programs and evaluate the effectiveness of SSO as a service delivery method, including different SSO approaches and models.
- Establish meaningful mechanisms for consultation and shared learning that are inclusive of all stakeholders.

Adopting a "business as usual" approach and simply repeating current governance solutions for use under SSO programs will preserve the challenges that the sector is

currently grappling with—i.e., fragmentation of SOs, relatively low capacity levels, sectoral infighting, and general mistrust between the government and non-profits. However, if SSO roll-out is used as a stimulus for gradual reform of how state and non-profits collaborate with each other, expanding legal space and strengthening the supportive environment for SOs and building multi-stakeholder governance mechanisms, it can ultimately result in unleashing of social innovation and more effective HIV response. Yunnan province has the resources and experience to establish a local model of HIV services outsourcing with a strong capacity building component for other localities to consider.

Introduction

Following the withdrawal of major international donors from supporting China's HIV response, Chinese authorities have pledged to close the resource gap by increasing domestic investments. This shift in funding sources will significantly affect the way the state and non-profit organizations work together on HIV response in China. Until recently, most of the participation of an estimated about 1,500 Social Organizations (SOs)[1] in the HIV sector has been financed externally. Soon, in order to sustain the response, the government will start financing the work of SOs through Social Services Outsourcing (SSO) mechanisms, thus becoming the main source of funding for non-profits in the sector.

This report is written with three objectives. They are (1) to collect and systematize basic information about SSO as a new social management mechanism in the HIV sector, (2) to identify main factors likely to determine the outcomes of SSO programs in the HIV sector in Yunnan province, and (3) to formulate recommendations for main stakeholders involved in SSO programs.

The findings and recommendations are based on a literature review focusing on global and Chinese experiences with SSO mechanisms, a series of interviews with SOs, government officials, and researchers; and a rapid survey conducted with 129 SOs implementing HIV-related projects in the Yunnan province.[2]

[1] The estimate of number of SOs comes from the *2012 China AIDS Response Progress Report*, Ministry of Health of the People's Republic of China, 31 March 2012.

[2] We aimed to interview the entire population of SOs active in the HIV sector in the last two and half years (2010-2012). Several existing contact lists of SOs in Yunnan province were used to construct a comprehensive list: the CHAIN directory of SOs active in the HIV sector, lists of organizations that successfully applied for GFATM funding in 2010 and 2012, and lists that HPI had used previously to contact SOs in Yunnan province. Out of about 180 organizations we identified, we received responses from 129. Nonresponse occurred mainly where we were unable to contact the organization—in which case the SO may have no longer existed—and refusal to take part in the survey. The computer assisted survey was either self-administered or administered through a telephone interview by trained interviewers.

Definitions

Social Services Outsourcing (政府向社会组织购买服务)

SSO is a governance mechanisms through which the government provides public funds to a non-profit organization or a business to provide public goods and services. In principle, SSO is based on a partnership between two distinctive actors: the government and the implementing organization (a non-profit or a business). The SSO relationship requires that the actors be independent of each other. The implementing organization independently makes decisions, operates, and assumes responsibility for the work. The government assumes a regulatory role: it establishes a legal framework, supervises the provision of services, and evaluates the performance of the implementing partner.[3] Because of the focus of this study, the term "SSO" will hereinafter be used to indicate a situation where the government procures social services from non-profit organizations. This restriction will make SSO equivalent to the term most commonly used in the Chinese literature, 政府向社会组织购买服务 (*zhengfu xiang shehui zuzhi goumai fuwu*, or government purchasing services from social organizations). Globally, the practice of SSO for government-funded social services is widespread, covering countries with different political, social, and economic contexts.

Social Organizations (社会组织)

This report uses the term Social Organizations (SOs) to denote non-profit organizations involved in HIV response : community based organizations (CBOs), nongovernmental organizations (NGOs), and government organized non-governmental organizations (GONGOs). (See Annex 1 for a discussion on differences between these types of organizations.) We use the term SOs to describe these organizations, regardless of whether they are registered with civil affairs bureaus or not. [4]

In addition to so defined SOs, there are several types of organizations in China's HIV sector that may be eligible for funding under SSO schemes. They include public institutions (*shiye danwei*)[5] and mass organizations, many of which also deliver HIV

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[3] For more on definitions of SSO see the following: *王浦劬 Simon K. 2010. 政府向社会组织购买公共服务研究：中国与全球经验分析(Outsourcing Government-financed Social Services to Civil Society Organizations: Lessons from China and Abroad).* Peking University Press 2010 and Jia Xijin, Su Ming (with contributions from Han Junkui and Sun Jie). Asian Development Bank. June 2009. *Final Report on Government Procurement of Public Services People's Republic of China*.

[4] The definition for SOs used in this study is different from the one used by China's Ministry of Civil Affairs, which covers registered organizations only. The Ministry of Civil Affairs recognizes three categories of people's organizations (*minjian zuzhi)*: social groups (*shehui tuanti*); private, non-commercial enterprises (*minban feiqiye danwei*); and foundations (*jijinhui*). Recently, the phrase *minjian zuzhi* is being used interchangeably with *shehui zuzhi* (which is often rendered in English as "social organization") in the official documents. The reason this study uses a different classification is that the official classification covers only the groups that are able to legally register. Thus, most of the SOs active in the HIV sector are not registered and are therefore not covered by these categories. The small, unregistered groups are often referred to as "grassroots organizations" *(caogen zuzhi)* in the official language in China.

[5] Also referred to as service organizations, public institutions (*shiye danwei*) are the major organizational provider of public services in all public service fields (education, research, health, social welfare, sports, arts and culture, etc.). Public institutions —of which there are 1.26 million in China—now belong to a state-supported sector fulfilling roles similar to those of public service agencies. The central government and the highest party organs in China have recently issued a

related programs. While these organizations are also likely to be beneficiaries of SSO in the future, this report, in recognition of the unique characteristics of SOs, mainly focuses on SOs' involvement in SSO.

Policy environment for service outsourcing in the HIV sector

Introduction of SSO to HIV sector reflects a wider trend of innovating social management in China. *The 12th Five-Year Plan for National Economic and Social Development 2011-2015* (The 12th Five-Year Plan) sets a clear direction for increasing of the amount of outsourced services (*kuoda goumai fuwu*), diversifying the services, and encouraging various social forces to take part in the process (*guli shehuiziben yi duozhong fangshi canyu*). Several principles for innovating social management institutions under the leadership of the government are outlined in The 12th Five-Year Plan. They include adhering to joint, multi-stakeholder governance mechanisms (*duofang canyu, gongtong zhili*), integration of issues of social management and service work (xingcheng shehui guanli he fuwu heli), strengthening the autonomy of communities and the ability of communities to provide services (*jiaqiang chengxiang shequ zizhi he fuwu gongneng*), and strengthening the establishment and management of social organizations (*jiaqiang shehui zuzhi jianshe*).[6]

The 12th Five-Year Plan recommendations on outsourcing social services are based on experience generated through numerous pilots. China has been experimenting with SSO since the late 1990s. Several sectors and localities, mostly in the urban areas (for example Shanghai, Beijing, Guangzhou, and Shenzhen) have piloted SSO for community services (e.g., services for the elderly and migrant population, vocational training, emergency relief, poverty alleviation) and professional and administrative services (e.g., research, evaluation, technical support, training of SOs, management of other organizations). A 2009 Asian Development Bank report on SSO in China concludes that after years of piloting and testing, China is entering into a phase of comprehensive promotion of SSO policies.[7] Indeed, several recent policy developments indicate that SSO is being widely and rapidly adopted as an important governance mechanism in China. For example, in early 2012 the central-level Ministry of Civil Affairs launched a large, nationwide SSO program funded at $200 million RMB per year and covering social services in various sectors. In May 2012, the government of Guangdong province passed the *Provisional Measures for Government Procurement of Services from Social Organizations*, the first provincial-level regulation of its kind, which outlines detailed regulations and guidelines for the already widespread SSO practices in different sectors in Guangdong province.

"roadmap" for reforming the *shiye danwei* that currently provide social services. By 2020 many of the *shiye danwei* are expected to be transitioned into social organizations (*shehui zuzhi*), relieving the governments of the responsibility to fund them (http://brief.policycn.com/de-bureaucratisation-grand-theme-of-reform/; http://philanthropynews.alliancemagazine.org/government-downsizing-and-direct-registration-of-social-organizations-in-china/%29). Even before the reform fully takes place, public institutions are likely to be recipients of SSO funding.

6 For details see the 12th Five-Year Plan, particularly chapters 30 and 37.

7 Jia Xijin, Su Ming (with contributions from Han Junkui and Sun Jie). *Final Report on Government Procurement of Public Services People's Republic of China*. Asian Development Bank, June 2009.

As principles set forward in the 12th Five-Year Plan are gradually translated into policies and practice, two seemingly contradictory trends have emerged. On the one hand, the space for SOs' work has been expanding. Local governments have started to recognize the non-profit organizations more and provide space for their growth so that the non-profit sector can become legitimate, effective, and diversified, turning into a partner government can outsource services to. Reflecting this need, local-level experimentation with new forms of social management has intensified, with local governments testing different approaches to promote SO registration, as well as to regulate and scale up collaboration between SOs and the state. At the central level, the Ministry of Civil Affairs has also indicated that the long-awaited revision of the national legal framework for civil society is likely to happen soon.

However, on the other hand, the space of SOs' work has also been facing increased scrutiny. Scale-up of government outsourcing of services to SOs will mark the first time when the state cooperates officially on such a scale with the third sector in an arrangement which, by design, requires SOs to have a degree of separation from the state apparatus. Formerly, SOs functioned in China either without official recognition from the state, expanding the limits of the area in which they were allowed to operate, or through a corporatist arrangement, where one organization trusted by the state represented the interests of a larger group. If SOs are to become government's official partners under SSO, this relationship will need to be transformed, and authorities are cautious about their ability to manage the third sector in the new situation. Consequently, the policy emphasis in implementing this new social management structure is equally placed on strengthening government control over SOs. Through various local pilots, authorities are testing governance arrangements that will allow SOs enough autonomy for SSO relationships to work but at the same time ensure full government supervision.

In the HIV sector, at the policy level, *The China Action Plan to Prevent and Control AIDS during the 12th Five-Year Plan Period* (AIDS Action Plan) follows the strategic direction of the 12th Five-Year Plan and calls for expanding the role of social groups and social organizations (*jiji fahui…renmin tuanti he shehui tuanti yiji jijinhui, minban feiqiye danwei, aizibing zhuanye fangzhi xiehui deng shehui zuzhi…gongzuozhong de zuoyong*) and giving full play to the role of community based organizations (*chongfen fahui shequ zuzhi zai aizibing fangzhi de zhongyao zuoyong*), as well as promotion of legal registration of SOs in the HIV sector.

Developing innovative ways of social management in the HIV sector requires addressing the same contradictions present in other sectors, but it is especially challenging because of the size of the third sector involved in HIV response (estimated at 1,500 organizations[8]), the diversity of the sector, and the already relatively complex history of involvement in the HIV response.

Currently, some experience exists with SSO programs in the HIV sector, but it is fragmentary. Governments and SOs gained a significant amount of experience in managing nationwide HIV programs with SOs participation under the Global Fund to

[8] *2012 China AIDS Response Progress Report*, Ministry of Health of the People's Republic of China, 31 March 2012

Fight AIDS, Tuberculosis and Malaria (GFATM) program (an internationally funded, not an SSO program), through which RMB 44.32 million was passed to 1,245 SOs in 2010 to deliver services. However, GFATM differed from SSO programs in that the funding did not come from the government's budget, and thus it came with a different set of rules, regulations, and requirements. The only large domestic SSO program was a Social Mobilization Fund program started to support SOs in the HIV sector after GFATM froze its funding to China; in 2010-2011 this fund has provided 10 million RMB to 73 organizations.[9] Interestingly, data from our rapid survey suggest that sub-provincial-level governments in Yunnan province have implemented local, informal SSO programs after the GFATM funding freeze to sustain SOs' involvement in service delivery (see the following section).

Characteristics of SOs involved in the HIV response in Yunnan province

Until now, the non-profit sector's level of participation in the HIV response in Yunnan province has been substantial. We estimate that more than 180 SOs have been active in the HIV response in the province in the last two years. Of these, our study has confirmed that 120 organizations are still active. The 129 SOs we interviewed together deliver more than 25 kinds of HIV services of different levels of complexity, ranging from policy advocacy activities to service delivery to people living with HIV (PLHIV) and most-at-risk populations (MARPs) through providing training to other organizations. SOs shoulder a considerable part of the overall work linked with HIV services in the province, in many cases having become an indispensable support for local health officials who are overburdened with tasks. For example, 63 organizations provide a regular follow-up service for PLHIVs (*suifang*), out of which 44 reported having covered 100 PLHIV or more over a period of a year, with three organizations with the largest coverage in the province reporting having covered more than 1,000 PLHIV.

SOs in Yunnan vary in terms of geographical coverage of their work. Most of the SOs are small, young CBOs, implementing projects in one site only, but there are several larger, more experienced NGOs and GONGOs with more extensive coverage, working in several sites at a prefecture or province level.

The overwhelming majority of SOs in Yunnan are not fully recognized by the state as legal entities. Out of 129 SOs we were able to interview, only 11 had some kind of legal status—8 were fully registered as SOs with Civil Affairs Bureau, 2 were registered as businesses and 1 held a semi-legal file-for-record registration. Encouragingly, there exists at least one example of a CBO being able to register with strong support from the local health authorities.

[9] Data on GFATM and the Social Mobilization Fund are cited from the *2012 China AIDS Response Progress Report*, by the Ministry of Health of the People's Republic of China, 31 March 2012. Another specialized program through which government funding supported HIV work outside the core government system is the AIDS Innovation Program, a program that funds development of innovative approaches for HIV response and is open to public institutions and research institutions.

We found few cases of truly collaborative partnerships between the state and the non-profits. Many CBOs function as dependent extensions of the government, in most extreme cases being directly established and managed by local officials. Most small CBOs (which are typically unregistered) are receiving funds through financial pass-through arrangements with the local governments; this funding structure seems to perpetuate the relationship of dependency, with SOs being discouraged from registering and the local governments discouraged from becoming sponsoring partners in the process of registration. More independent, developed NGOs often lack opportunities to communicate and coordinate with government, especially at higher administrative levels. Mistrust often characterizes the relationship of many of CBOs and NGOs with the state system. Only local GONGOs (NGOs strongly affiliated with the state) enjoy trust and a more collaborative relationship with the government, often because their managers formerly served as government officials. The Yunnan Association of STI and AIDS Prevention and Control holds a special position among these GONGOs, since it has been entrusted by the government to act as an umbrella organization, through which funding is channeled to local CBOs and NGOs from several international programs.

Perspective of a CBO on dependent relationships with the government and how it should evolve under SSO

...we know that many international organizations will leave Yunnan later this year. International organizations, when they support CBOs, not only want to achieve results, but they also had a plan to support the groups' capacity building and ensure the (organizational) the growth of the group. In case of many government departments, including the departments that already purchased numerous services from CBOs, their emphasis is always on getting the (reporting) data, they are not concerned with the growth of the groups at all. So, the government's attitude will have a great impact (on SSO)...They should understand that the reason the CBOs exist is not to grab someone's job or oppose the government. They should understand that CBOs' function is supplementary —to do the things that the government cannot do. They should also understand that it (the relationship) is not "I give you the money, I am the boss." They need to know that it is us (CBOs) who actually do the work.

Representative of a CBO from Yunnan

Findings from the survey confirm that assuming that international funding, including GFATM, will decrease significantly soon, SOs will be able to access few funding sources besides funding provided by the government. In late 2010, before the GFATM funding freeze, GFATM funded at least 106 SOs.[10] However, according to data we collected through the survey, only 12 SOs reported stopping the work completely after the GFATM funding freeze. This low number can be attributed, at least partially, to local governments stepping in and providing funding through informal, local SSO schemes; 49 organizations (out of 109 that answered the question) reported being directly supported by the local government to provide services in the period following the GFATM funding freeze. Of the remaining SOs, after the funding freeze, 50 were at

[10] These data were received from The Yunnan Association of STI and AIDS Prevention and Control. Overall, 189 organizations in Yunnan were awarded funding in the Rolling Continuation Channel round of GFATM in China. However only 106 could be classified as actual CBOs; in remaining cases CDC applied for funding on behalf of the community, without an actual group existing.

least in part supported by international sources of funding other than GFATM. (A significant part of this funding, however, will have ceased to support SOs in China by the end of 2012.)

Likely determinants of success of SSO programs

Globally, SSO is a tool widely used to improve access to and diversify social services. However, as foreign and Chinese experience suggest, SSO does not automatically improve the quality of the services. If not used in the correct environment and in an appropriate way, SSO can turn into a "double-edged sword," resulting in insufficient competition, superficial adoption of new practices, mission drift among SOs to fit government priorities, and stifling of social innovation.[11] This report identifies six likely determinants of SSO program success in the HIV sector (discussed in detail in Annex 3):

- First, the legal situation of many SOs and the lack of a supportive environment for their growth make it impossible for organizations to assume responsibilities under SSO programs. Scale-up of SSO necessitates a wider adoption of legal registration of SOs, since the government cannot enter into contractual agreements for service delivery with organizations that it legally does not recognize. The central level has recognized this need and emphasized in the AIDS Action Plan that civil affairs departments shall facilitate legal registration of social organizations and that health departments will fulfill their responsibilities as sponsoring agencies. However, promotion of registration in the HIV sector will be a challenging task; the sector is diversified, and different types of organizations demand different approaches. While many of the small, newer CBOs do deliver crucial services at local levels, organizationally many are not yet ready to be registered. Larger, more established NGOs may find it difficult to find government departments willing to sponsor them. Moreover, although necessary, registration is not a sufficient condition for SOs' institutional ability to take part in SSO. Because of a lack of a wider supportive environment, even SOs that obtain registration are likely to struggle for survival because the legal framework for SOs does not take into consideration the many needs and limitations of these organizations.
- SOs need basic financial stability if they are to become well-functioning partners of the government and deliver quality results. Financial rules and regulations currently used for SSO programs, however, do not take into account the context and needs of SOs; the current rules allow SSO funding to cover only the direct costs of delivering services. The core costs that organizations incur to function and develop (such as management and accounting costs, office rentals, equipment, social security for staff, and

[11] For more information on superficial adoption of new practices, see for example Jing, Y., Chen, B. *Is Competitive Contracting Really Competitive? A Case Study of Restructuring Government-Nonprofit Relations in Shanghai.* Center For Nonprofit Strategy and Management, Working Paper Series The City University of New York, 2010. For more information on mission drift among SOs and stifling of social innovation, see *Contribution of the Not for Profit Sector,* Productivity Commission Research Report, Australian Government, January 2010.

proposal writing costs) are not allowable. The negative impacts of not allowing for full cost recovery are confirmed by experience of SSO programs in other countries,[12] SSO programs in other locations in China, and, to a degree, by the GFATM experience in China (see Case Study One in Annex 2 comparing the amount of services provided to remuneration provided to CBOs under current programs in the HIV sector).

On CBOs being considered volunteer workers by the local governments

It is the CDC that controls the HIV work and the government looks at CBOs as volunteers. When it comes to inputs, the government thinks that the volunteers should be paid very little, that we can help them achieve great things with very little expenditure.

Representative of a CBO from Yunnan

- Outcomes of SSO programs will be determined by the extent to which SSO management structures and procedures ensure equal and fair access for SOs. Currently, many stakeholders express concern that access to the programs will be limited through formal and informal measures benefiting organizations affiliated with the government. If access to SSO is limited, however, the programs will not achieve their cost-effectiveness goals because market and competition mechanisms will be severely distorted. If fair access to SSO programs is to be ensured, and if well-performing SOs are to be rewarded for their programmatic achievements, new mechanisms are needed for ensuring transparency and accountability. Experiences with similar mechanisms under GFATM programs have been mixed, and existing mechanisms need to be improved.
- In order to succeed, SSO programs need to recognize and make use of SOs' unique and varied capacities to contribute to the HIV response. SOs have various strengths and capacities that they can contribute under SSO, ranging from simple service delivery to capacity building for other SOs and the local government, to research, development of social innovation, and policy advocacy. Especially important is their capacity to help realize China's long-term goal to strengthen communities and their ability to self-manage (see Case Study Two in Annex 2). Importantly, the capacities and strengths of larger, more capable NGOs should also be allowed full play in the outsourcing programs; these organizations often have high competence in technical service delivery and are able to implement programs at scale, including through mobilizing smaller CBOs to form networks and consortia.
- Whether and to what degree such capacity building programs are incorporated into SSO schemes will determine whether the third sector will be able to grow and fully contribute to the HIV response as described in the AIDS Action Plan. Although much has been achieved with respect to capacity building programs under GFATM and other internationally funded programs, no approaches to

[12] See, for example a UK case study in 王 浦劬, Simon K., 2010 *政府向社会组织购买公共服务研究，中国与全球经验分析 (Outsourcing Government-financed Social Services to Civil Society Organizations: Lessons from China and Abroad)*. Peking University Press 2010.

large-scale, systematic, and continuous capacity building for SOs in the HIV sector yet exist in China.

- Lastly, success of SSO programs will depend on recognition of the importance of and investments made into performance review, evaluation, and learning mechanisms, as well as the extent to which the government and SO stakeholders can collaboratively generate knowledge, learn from SSO programs, and gradually improve the SSO programs.

Overall the above listed success determinants of SSO suggests that SSO program success is largely contingent on the establishment of trust and collaborative relationships between the government and the SOs and the gradual evolution of the relationship between the two sides evolving toward a joint, multi-stakeholder governance model. Introduction of SSO programs presents an opportunity to reshape the relationship in a China-specific way that will allow the synergies between the government and the SOs to be fully realized.

Recommendations

We believe that the determinants of SSO program effectiveness can be addressed through a concerted effort by all stakeholders and that the new governance mechanism can address existing issues in SOs' involvement in the HIV response. This report notes that Yunnan province is in a strong position to create an effective model of SSO in the HIV sector, contributing to nationwide social innovation. The following recommendations are provided for consideration by main stakeholders of SSO programs in Yunnan province. Under each heading, a general recommendation is followed by specific recommendations for different stakeholders.

Advocate for provincial- or central-level guidance on roll-out of SSO programs in the HIV sector

Because introduction of large-scale SSO programs represents an important policy shift, the transition needs to happen swiftly if the HIV response is to be sustained, local level stakeholders would benefit from guidance on implementation of new policies, as it would help them fully engage in the new programs. Such central- or provincial-level guidance on implementation of SSO in the HIV sector would greatly facilitate the roll-out of new programs and should be advocated for by the main stakeholders.

Specific guidelines could cover the following:

- Division of roles and responsibilities between the government and SOs.
- An open (non-exhaustive) list of services that should be outsourced, along with implementation and evaluation standards for each service listed.
- Specific encouragement to include larger, more capable NGOs as important partners in SSO roll-out and encouragement for cross-sectional collaboration on SSO roll-out between government departments and harmonization of

related social management policies, especially between the Health and Civil Affairs Bureaus with regards to registration.

- List of benchmarks and good practices against which fairness of competition and transparency can be assessed.
- Encouragement to pilot and evaluate different approaches.
- Guidance on setting up multi-stakeholder consultative and knowledge-sharing fora.

Promote registration of SOs in the HIV sector in a way that responds to SOs' needs and to the requirements of SSO programs.

First, local authorities should be incentivized to fully support registration of SOs and fulfill their responsibilities, through incentives such as inclusion of SO registration targets among performance indicators, as well as reassuring local officials that there i no risk for them to support SOs to register.

While small CBOs are the most numerous group among unregistered SOs in the HIV sector, promotion of legal registration of more experienced, mid-sized organizations (large CBOs and NGOs) should be a priority, as they have the strongest potential to partner with the government at a scale that will contribute most to cost-effectiveness. More experienced SOs can also deliver more complex services such as capacity building, research, and development of social innovations. Moreover, more experienced organizations can also help build the capacity of less experienced, non-registered CBOs through including them in consortia implementing the SSO programs.

Innovative approaches to address the needs of small, inexperienced CBOs should also be considered, so that these CBOs can develop gradually, starting with provision of simple services and then, if they so choose, work their way up, as their capacity grows. One possible approach is developing a registration grading system for SOs in which the lowest grade would be designed for emerging CBOs, granting legal identity but also offering fewer privileges and fewer requirements. If, with this goal in mind, a file-for-record procedure is maintained as a lowest level of registration, it needs to be expanded to ensure that SOs are given sufficient rights so that they have legal identity and can engage in SSO. Another approach to ensuring that small CBOs can take part in SSO is adopting joint registration of several CBOs from the same locality.

Health Bureau

- Health Bureaus should actively encourage local health departments to act as supervisory units for SOs to support their registration. The bureaus also should educate the local health departments about SSO as the new mechanism and make it known to them that former pass-through funding arrangements are likely not to be possible under SSO.

Civil Affairs Bureau

- The Civil Affairs Bureau should promote SO registration in line with central-level policies and the need for SO government partners to have legal identity in the outsourcing relationship. Following the policy trend already acknowledged at the central level, a new policy should be piloted dropping the requirement that organizations seeking registration have a government sponsoring unit, at least at the provincial and prefecture level.
- If the legal framework for the third sector is adjusted in Yunnan, steps should be considered to make it possible for more mature SOs to fundraise, as has been the case in other localities (Guangzhou). Also, providing SOs with tax exempt status is important, as lack of it has forced some SOs in other localities to pay taxes on SSO funding.
- Assuming SO registration is promoted, provincial-level Civil Affairs Bureaus should educate sub-provincial-level officials about being responsive to the needs of SOs willing to apply for registration.

Civil Affairs Bureau and Health Bureau

- Both bureaus should consult and harmonize activities so that the roll-out of an SSO program is coordinated with promotion of SOs' registration and roll-out of potential registration reform.

Social organizations

- Unregistered SOs, especially larger ones operating in more than one county or city, should consider actively pursuing registration, especially if registration is promoted or a pilot of a registration policy is conducted. Even if some SOs have attempted registration before and failed, current changes in the policy environment increase their chances of success. Obtaining registration in time for SSO roll-out will likely provide access to SSO opportunities and provide them with a strong advantage over unregistered organizations.
- SOs may want to consider applying for registration together with other local SOs if they are able to find a government sponsoring partner. This approach calls for a careful selection of SO partners and carries a risk of future conflict within the group. However, a larger group with more experience and skills would be able to deliver more varied services in a cost-effective way and could be an attractive partner to the local government.
- SOs attempting registration should document and share their registration processes experiences with each other and with the relevant authorities.
- SOs should consider improving communications, documentation, and basic research skills to be able to demonstrate the value and impacts of their work to relevant government departments and to build trust with them.

Ensure that SOs can recover core costs through SSO programs

Previously the government funding only supported semi-independent organizations that had their core costs covered through separate funding streams also coming from the government. SSO programs are the first instance of engaging with SOs that do not have access to this additional funding, and regulations need to be revised accordingly.

Health Bureau and SOs

- Health Bureau and SOs should document that core funding is needed and for what functions and advocate with financial authorities for making core costs allowable under SSO.

Establish complementing SSO programs in the HIV sector at national, provincial, and sub-provincial levels

To strengthen competition mechanisms in SSO programs and contribute to diversity of services provided, it is recommended that SSO programs be established at several levels (national, provincial, and sub-provincial level).

Health Bureau

- Because SSO is in its early stages in the HIV sector and good practices still need to be developed, it is recommended that outsourcing should be used for most services from the central level, especially contracts for more complex services or services covering several localities. Provincial- and sub-provincial-level SSO programs could complement the national-level outsourcing programs on a smaller scale, based on their specific needs. Table 1 provides a suggested framework for scope and responsibilities of different levels of SSO.

Table 1. Suggested framework for scope and responsibilities of different levels of SSO programs

SSO Characteristic	National-Level	Provincial-Level	Sub-provincial-Level
Level at which outsourced services are implemented	• National • Provincial (whole province or several sites across a province)	• Provincial • Prefecture • County • City	• County • City • Township • District
Types of services	• Management of SSO programs • Evaluation of SSO programs • Research • Development of social innovation • Capacity building • Services delivered through consortia or networks at several sites across a province	• Management of SSO programs • Capacity building • Basic services delivered through consortia or networks at several sites	• Direct services delivered at one site

- Outsourcing of the bidding and contract management process to a qualified third-party organization should be considered, especially for the national- and provincial-level SSO programs.

Social organizations

- SOs should test the possibility of forming larger consortia, able to deliver services at several sites and managed by an experienced SO and large enough to apply for larger contracts at the provincial or national levels.

Ensure fair access to SSO to all SOs through open, competitive, and inclusive selection procedures

If SSO programs are to benefit from cost-effectiveness resulting from competition, fair access to SSO bidding processes should be ensured for all qualified organizations.

Health Bureau

- An open and competitive bidding processes for all service outsourcing should be ensured. It is especially important that the pre-conditions to take part in the bidding should, as much as possible, be inclusive of all SOs wishing to submit proposals. In particular, being pre-selected by the lower-level government (where the services are going to be delivered) should not be a pre-condition for taking part in the bidding process.

Ensure transparency of the bidding processes, SSO management, and results

Transparency of the bidding and management processes as well as results is a necessary condition for accountability of both the government and SOs and for cost-effectiveness of the program. Also, the *Regulations of the People's Republic of China on Open Government Information* require that government discloses, among others, information on procurement projects, their standards, and their implementation, as well as policies and measures on medical care and social security and their actual implementation. New mechanisms of ensuring transparency need thus to be created, since under GFATM several problems occurred with regards to transparency, resulting in tensions, conflict, and confusion among stakeholders.

Health Bureau

- The Health Bureau should invest in creating and maintaining a web-based SSO information-sharing platform that will include all relevant information related to SSO tendering processes, implementation of projects funded through SSO, and their results in the province. For added impartiality, this website could be maintained through a third party to whom relevant stakeholders would be obliged to provide the required content within the specified deadlines.

- Detailed guidelines specifying local government's obligations in sharing information related to SSO (what information should be shared, how, and when) should be published by a relevant government office at provincial or central level. This will help sensitize local officials to the importance of transparency in SSO programs.
- Suggested solutions for such guidelines include the following:
  - For tender notices at least a month's time should be provided from actual publication of the tender notice to the submission deadline.
  - A mechanism should be established through which questions can be asked to a procuring institution and answers shared publicly.
  - Basic information about the bidding process such as number of proposals received and scores received by each proposal in the bidding process should be openly available.
  - SOs with unsuccessful proposals should also receive feedback and comments on their proposals so that they can learn from the experience.
  - Names of members of award committees should be disclosed. Members of award committees should sign conflict-of-interest statements. Representatives of the third sector may be invited to participate in award committees, but they should not have any conflicting interests.
  - The information-sharing platform should be used for posting information on projects that receive SSO funding, including their implementation and results. For all projects funded through SSOs, at least a project summary, main success indicators, targets achieved, and main evaluation findings should be shared to ensure accountability and shared learning.

Invest in developing capacity of officials who manage SSO programs

With the introduction of SSO, government officials will find themselves increasingly in a role different from their previous experience (when they were responsible for direct implementation of services or directly managing a community group), and they need to be supported in this transition.

Health Bureau

- Systematic training and mentoring programs should be established to help government officials managing the SSO programs in the HIV sector to develop a set of new attitudes and skills, such as understanding of social organizations and different roles they can play in HIV response, contract management, communication, negotiation, knowledge management, conducting oversight and performance reviews to SOs, providing technical assistance, and ensuring transparency. Program coordination and long-term planning at various levels is an especially important skill, as several pilot SSO projects in China reported delays in receiving funding and late releases of calls for proposals, resulting in project implementation being significantly shortened.

If management of SSO is outsourced to a third-party organization, the third-party organization's staff also need to be supported to gain the above-mentioned skills and attitudes. Trainings for government officials on how to understand and work with SOs under SSO programs have been commissioned by the government and delivered by local SOs in other sites implementing SSO (for example Beijing and Shanghai), and this experience can be used for developing a specific curriculum for officials in the HIV sector in Yunnan.

Enable SOs to give play to their varied strengths and capacities in SSO programs

For SSO programs to yield innovative, diversified services responding to the needs of the communities, various types of services by SOs need to be outsourced by the government. The range of services covered should include not only provision of basic services to PLHIVs and MARPs, but also development of socially innovative approaches to emerging problems in the communities, capacity building services for SOs, management of programs outsourced by the government (outsourcing of outsourcing), evaluation services for SSO programs, policy research, and other services.

Health Bureau

- A guiding document enumerating the services to be delivered by SOs would greatly facilitate the roll-out of SSO programs, as it can establish the content of a community response package as well as corresponding implementation and performance review standards. However, such a document should be an open list and should not restrict the possibilities of SOs' involvement in HIV response. This would encourage a gradual broadening of SOs' responsibilities as they gain experience and expertise.[13]
- Experienced NGOs should be encouraged to participate in SSO through inclusion in national- and provincial-level SSO programs of the more complex services that more experienced NGOs are able to implement. These NGOs are likely to have several advantages, such as cost-effective delivery and firsthand experience in building capacity, which can be turned into capacity building activities for other SOs.
- Instruments used for outsourcing services should be tailored to service characteristics with regards to the degree of flexibility an SO has in defining the desired outcomes and to implementation time. Current practices under GFATM or pilot SSO projects allow for flexibility of approach, as usually only a broad field of intervention is defined in the request for proposals. This approach allows SOs to suggest innovative solutions and should be maintained, unless the required services are basic and standardized. For most services, especially more complex ones, it would be beneficial if organizations were performing them for a period of two to three years, since one year often

[13] We understand from interviews with the academics that a list of services to be delivered by SOs is being prepared under the Rolling Continuation Channel round of GFATM and that this list could later be used by government programs outsourcing HIV services.

does not suffice to reach desired outcomes. If implementation time is longer than a year, funding can still be released on annual or semiannual basis, subject to positive results of the performance reviews.

Encourage sustainable approaches to community construction

SSO programs should incentivize SOs to adhere to effective community construction approaches. Community construction should be based on building trust and shared responsibility for HIV response within the community and strengthening communities' cohesion and not on paying PLHIV and MARPs for participation in services and related events.

Health Bureau

- Indicators and good practices should be developed to measure community construction, and SOs should be rewarded for adhering to related good standards and achieving related goals.

Set up a model capacity building center in Yunnan province providing structured, tailored, long-term capacity building programs for HIV sector non-profits in order to energetically pursue professionalization of SOs

There is an urgent need for SSO programs to address the gaps in technical and organizational capacity of SOs in the HIV sector through tailored and systematic interventions. Yunnan province has the resources to establish an exemplary capacity building center for SOs in the HIV sector as a component of its SSO programs, which could be supported by both provincial- and central-level SSO programs. A sufficient number of SOs exist to generate demand for services of such a capacity building center in Yunnan province, but such a center could also potentially serve the whole southwestern region of China.

Capacity development activities provided should be tailored to the needs of participating organizations and start with an assessment of the capacity and needs of participating organizations. Several levels of capacity building support should be provided, starting from "incubation" support for emerging groups, through technical training and mentoring in delivery of various services and organizational development to more mature NGOs. With regards to capacity building methods, the support should be long term, systematic, and based on series of (rather than one-time) trainings, as well as mentoring, coaching, and on-the-job training.

Health Bureau

- A detailed needs assessment should be conducted to inform the design of the capacity development program (the needs assessment and design itself can be also outsourced). Social organizations should be directly consulted about the desired priorities of the capacity building program, curricula, and methods under the SSO programs and, later in the implementation of the capacity building program, should actively participate in its monitoring and evaluation.

- One organization should be made responsible for overall management of capacity building activities and the physical capacity building hub. Different capacity building activities, however, could be outsourced to a group of SO providers.
- Existing capacity building resources (manuals, trainers, etc.) should be used as much as possible. Several sources of good quality resources already exist in China and in Yunnan, and they should be reviewed before new materials are developed. For example, United States Agency for International Development (USAID) funded programs in Yunnan province have produced a well-documented range of models, approaches, and capacity building curricula for developing both technical and organizational skills, all of which have been tested and used in the local context.
- Tools that help track capacity such as capacity assessment and capacity building planning tools to measure organizational development, as well as performance standards and standard operating procedures that will help assess the quality of technical services provided by social organizations, are needed for measuring and tracking the effectiveness of capacity building programs.

Develop performance measurement tools and processes for outsourced HIV services and capacity to use them

Success in shifting more responsibility for HIV services to nonprofit providers under new government programs is closely linked to the quality and effectiveness of monitoring and performance measurement standards and procedures. They are the main modes through which the government can control the service delivery and address potential issues. Availability of quality information from performance monitoring and evaluation will also contribute to fair competition among SSO providers, as SOs' former performance records can be used as an important criterion to select the best providers. Lastly, appropriate sharing of information resulting from performance measurement processes is critical for ensuring that SSO programs are accountable to the community and the wider public.

Health Bureau

- Performance review frameworks will need to be developed, preferably at the national level, including indicator systems for different kinds of services, performance review procedures, and explicit requirements for such procedures to be carried out.
- The capacity of public employees to conduct monitoring and evaluation of outsourced SO projects, as well as provide regular feedback to implementing SOs, should be enhanced through training and mentoring.
- Involving third party evaluators in at least some project-level evaluations may help to generate more learning as well as build the government employees' capacity for conducting monitoring and evaluation.

- Where possible, people and organizations receiving services should be consulted during the evaluations about the quality of services provided under SSO.

Social organizations

- Social organizations should ensure that outputs and outcomes of projects funded under SSO are well documented and evaluated internally by SOs who deliver these services so that the SOs are able to convince the government of the value of their work. If the SOs do not have skills in basic monitoring and evaluation, they may want to consider prioritizing them in their capacity development plans.

Allow for an initial piloting and learning period of SSO programs and evaluate effectiveness of SSO as a service delivery method, including different SSO approaches and models

A gradual, pilot style approach to the roll-out of SSO programs in Yunnan province is advised, as SSO is a new service delivery method. In the initial stage, emphasis should be placed on perfecting the program, with inevitable malfunctions being treated as an opportunity to learn and improve. A macro-level evaluation project for SSO would validate the use of outsourcing of services in the HIV sector in the province and ensure that any potential issues can be identified and addressed promptly. Substantial financial and technical inputs will be needed for such an evaluation early in the roll-out of the program, but they are very likely to pay off in program improvements.

Health Bureau

- In the first round of the program, it is advisable that a few pilot sites be established in the province to serve as testing and model sites for HIV services outsourcing. Such model sites could feature a high percentage of services outsourced to SOs (both local CBOs as well as experienced NGOs from the province who could be invited to support the model sites), an intensive capacity building program for SOs and the local government, significant investment in performance monitoring and evaluation, consultation mechanisms with the SOs and the community, as well as oversight from national- and provincial-level authorities. Such model sites are likely to quickly generate social innovation and learning needed to develop SSO programs appropriate for the HIV sector in the Chinese context.
- Various approaches, instruments, and delivery methods could also be evaluated against each other through pilot testing. For example for service delivery method the following modalities could be evaluated: delivery by public employees, delivery through outsourcing to individual CBOs working in close collaboration with the local government, or several site delivery through one NGO or a consortium.

- A macro-level evaluation of Yunnan experience with SSO should be outsourced to a well-recognized third party, a central-level think tank, or a research institution to ensure quality and facilitate dissemination of results.

Establish meaningful mechanisms for consultation and shared learning inclusive of all stakeholders

Consultative mechanisms among the government and social organizations at provincial and sub-provincial levels should be established, as a realization of a multi-stakeholder governance postulate from the 12th Five-Year Plan. This will create an official venue for discussion on SSO programs in the HIV sector, including progress in implementation updates, emerging experiences, emerging needs at the community level, policy environment, and other program attributes. In addition, regular sharing meetings would also facilitate coordination of various projects funded by outsourcing programs in one locality and would encourage information and resources sharing. The fora should provide space for meaningful participation through joint identification of emerging issues and dialogue on possible solutions rather than just reporting on activities conducted. SOs should be involved in preparation of the agenda and facilitation of the meeting. Emerging experiences, such as a regular information sharing among SOs in Gejiu city in Yunnan, suggest that such fora are possible and support the harmonization of services and projects.

Health Bureau

- Health Bureau should take a lead on creating consultative fora at different administrative levels and invite SOs to take part in the institutional design, setting of the agenda, and facilitation of these caucuses.

Social organizations

- SOs taking part in government outsourcing of HIV services may consider forming an informal consultation group to jointly identify issues that need to be discussed with the government officials at consultation fora, as well as to coordinate SOs work.
- Learning from previous experiences under GFATM SOs should contribute to collaboration, as an SOs' consultation group will not achieve much if it is torn by conflict.

Conclusions

The HIV sector has generated relatively rich experience in managing and organizing collaboration between government and non-profits over the last 10 years, when the third sector's participation was funded mainly by international donors. It would thus be easy to dismiss the introduction of SSO as "business as usual" and simply copy most of the current governance mechanisms. However, it is the opinion of this report that adoption of such an imitative approach would perpetuate and aggravate the problems that non-profits in the HIV sector are currently grappling with, such as

fragmentation of SOs, relatively low capacity levels, sectoral infighting, and general mistrust between the government and non-profits. It would also further strengthen a model of a fully dependent CBO, which does not have capacity or motivation for social innovation. In the long term, in such a business-as-usual scenario, although introduction of SSO will sustain the HIV response, which is already delivered in significant part by SOs, it will not achieve the benefits of social innovation or cost-effectiveness.

Another possible scenario is that introduction of SSO programs at scale in the sector can be an impetus for bringing about innovative solutions, helping to build more trust and strengthening the synergies between the authorities and the non-profit sector and mobilizing the communities to fully take part in the HIV response. For this scenario to take place, current governance arrangements should be refined under SSO programs to give SOs full play in delivery of HIV services under the leadership of the government. Harmonizing SSO roll-out with a series of measures building a more supportive environment for SOs' development, together with the introduction of mechanisms ensuring transparency, will develop a health market for social services and allow SSO programs to realize the benefits of fair competition. Inclusion of larger, more capable SOs that are able to deliver more complex and sophisticated services and to pilot and document innovative approaches will help jumpstart the SSO programs as well as build the capacity of smaller organizations. Multi-stakeholder, collaborative sharing mechanisms will help SOs to generate learning and incorporate it quickly into their practices, as well as create a shared vision. Given the existing resources and experiences, SSO programs can be a factor unleashing social innovation for robust and improved HIV response, and Yunnan province is certainly well placed to pave the way.

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Annex 1: Different Types of SOs in the HIV Sector

Producing a universal taxonomy of social organizations active in the HIV sector in China is a challenging, if not impossible, task. One of the main challenges is that the vast majority of existing organizations exist in a legal vacuum. Thus the legal, official classification leaves most of the organizations out. The organizations also differ widely across a range variables such as capacity levels, affiliation with the government system, program experience, length of operation, and other characteristics.

Because of the variation among the groups, this report uses a broad classification into CBOs and NGOs, with a recognition that some organizations may not fully qualify within one category. We also recognize that not all organizations want to progress from less to more developed, and while some want to develop their capacities, others are happy at the levels where they are.

The group of CBOs include community and grassroots groups, ranging from ones that have not yet fully formed as groups and are a collection of individuals managed and sometimes deployed to deliver services by a local CDC, to more completely formed organizations that have gained some rudimentary organizational stability, have one or a few leading members, and deliver services on regular basis. CBOs are the most common group among non-profits in the HIV sector in China.

Groups this report refers to as NGOs have stronger organizational capacity, with most developed groups having several staff, including administrative staff, on regular payroll. This group encompasses the local GONGOs, organizations strongly affiliated with the government, often set up by retired health officials.

For an analysis of SSO programs and their potential impacts, two important characteristics are the extent to which an SO engages in activities beyond simple service delivery and the extent to which an SO tries to influence the agenda of HIV response by formulating its own diagnosis of a situation and proposing solutions based on its own experience. With respect to these two qualities, CBOs usually focus on simple service delivery, and only some of them may try to bring about change at a local level. NGOs usually engage in delivery of more complex or more innovative services, as well as provision of training to other organizations, policy research, or advocacy, sometimes in addition to basic service delivery at a larger scale. NGOs are also much more likely than CBOs to have an advocacy agenda and may engage in policy dialogue at various levels.

Annex 2: Case Studies

Case Study One: Comparison of services delivered by a CBO to the remuneration its staff members receive

CBOs are able to deliver much needed services and help health authorities reach their work target quota effectively and cost-effectively. However, as the following case illustrates, the remuneration the groups' staff members currently receive often does not even support meeting the most basic living standards, let alone allowing for investments in groups' capacity or covering any of the group's core costs.

Xishan District Health and Care Promotion Association (*Xishanqu Jiankang Guanai Cujinhui*) is a registered CBO working in the Xishan district of the Kunming city. The CBO was formed out of the Firefly Group, established in 2007 by people coming out of communities affected by HIV. In 2011 Xishan CDC supported the group to officially register with the Civil Affairs Bureau, and Xishan District Health and Care Promotion Association became one of the very few registered CBOs in the province. Doctors from Xishan CDC sit on the Board of the Xishan District Health and Care Promotion Association. The work of the CBO is funded through several projects, including foreign funding, the Social Mobilization Fund, and some support from the business community. Table 1-1 demonstrates the amount of work that the CBO said it had completed in the period of January to August 2012 and compares it with the remuneration and other benefits that group staff members have received.

Table 1-1. CBO services provided and staff remuneration, January to mid-August 2012

Services Provided	Number of Staff Providing Services and Remuneration Received
Services for PLHIV: • Follow-up services – 250 people • Care services – 350 people • PMTCT counseling – 1 person • PMTCT treatment – 1 person	Six staff members receiving RMB 400 subsidy per month
Services for FSWs: • Standard intervention – 920 interventions delivered on average per month • Mobilization to accept VCT – 300 times	Five staff members receiving RMB 600 subsidy per month
Services for MSM: • Standard intervention – 200 interventions delivered on average per month • Mobilization to accept VCT – 56 times	Five staff members receiving RMB 400-600 subsidy per month

Services Provided	Number of Staff Providing Services and Remuneration Received
Services for PWIDs: • Needle exchange services – 14,000 needles exchanged • Standard intervention – 130 interventions delivered on average per month • Mobilization to accept VCT – 40 times	Four staff members receiving RMB 400 subsidy per month
Other services: • Group activities in the district activity center: PLHIV – one activity, 20 participants; FSWs – 18 activities, 187 participants; MSM – one activity, 18 participants; PWIDs – five activities, 76 participants • Training for other CBOs: Training for Kunming CBOs – one training, 36 participants	Covered by remuneration mentioned above

The services provided follow standardized service packages. For example, for a PLHIV follow-up service, a service includes a complete national follow-up process (covering enquiry about CD4 testing, PLHIV health status, the spouse infection status, etc.). For PLHIV care, the package includes education, psychosocial counseling, condom distribution, referrals for CD4 and antiretroviral therapy, adherence counseling, help to apply for low-income subsidy. Standard intervention package for MARPs usually includes peer education; distribution of information, education, and communication (IEC) materials, and condom distribution aiming at behavior change and self-protection. The main programmatic focus of the Xishan District Health and Care Promotion Association is to supports Xishan CDC in meeting its HIV-related work targets

The CBO even directly uses some of the government data management systems to report on the work that they do.

The work of the CBO is also supported by two health officials who do not receive payments for their work, but are reimbursed 50 RMB per month for telephone fees. Xishan CDC also arranges for funding for some of the core costs (CBOs' venue, computers, etc.). Recently a part-time accountant has been hired and is paid through a funding stream from an international NGO.

The remuneration is paid to CBO's staff members as subsidies, and not as official wages. Even though the CBO is registered, staff do not have any work contracts, and staff complain that they are not covered by any of the social security programs. In particular, they are not covered by any health insurance, which is especially important for them, as they all come from the community affected by HIV and do not have other stable sources of income. Should their health deteriorate, they will be forced to pay high medical bills out of their own pockets, unless they arrange for insurance on their own. To address this issue Xishan CDC has proposed to advocate with the Xishan District Government to provide additional funding in the form of the Social Position

Subsidy, which could cover the costs of the insurance package for the group's staff members, but this effort has not yet been successful. The Social Position Subsidy is a subsidy received by people with semi-volunteer status, such as community members who help with road traffic management in the cities. The subsidy provides about RMB 1,200 per month for a period of three years, without deducting personal income tax, and covers all legally required insurances.

This case study demonstrates that under current arrangements, CBOs' staff deliver a substantial amount of services, already replacing the government in direct service delivery. By collaborating with a CBO, the government is able to complete its targets very cost-effectively. However, in terms of staff compensation, the work of CBOs is still provided in a sort of grey area, with staff receiving no official contracts or social security packages. Despite their contributions CBO staff seem to be acknowledged less than other people providing community services in other sectors.

This situation places individuals working for the CBOs, who usually come from marginalized communities, in an extremely vulnerable position. Also, because there is very limited or no funding to cover core costs, CBOs cannot invest in their own capacity or in development of more innovative service delivery methods, even if they wish to do so. Newly introduced SSO programs are able to address this problem of underfunding by taking into consideration the needs of SO staff workers and the SOs and in the long term will pay off in better quality of services and more social innovation produced by more developed and stable SOs.

Case Study Two: Calculating the savings through cost-effectiveness of a community-based approach

AIDS Care China (ACC) is among the largest HIV SOs in China, and the largest HIV SOs in China that is not affiliated with the state. ACC works across several provinces in China and through a network of community-based groups that provide a variety of services. An example of one of the projects they have shared demonstrates the unique strengths of genuine community-based approaches that respect the dignity of community members, resulting in cost-effective programs. It also proves that NGOs such as ACC are well positioned to develop innovative approaches for improved SSO programs, as well as to conduct action research.

ACC learned that several sites in China were using an approach to HIV testing among MSM that was based on monetary incentives and instrumental use of community members. According to ACC, local governments, using internationally funded programs, were deploying members of the MSM community to help conduct tests in the community. People cooperating with the government were not a fully formed MSM community group, but rather individuals, and were paid a fee per each MSM tested and per each HIV-positive person found. MSM community events were organized where CDC would come and conduct surprise testing and if a person tested positive CDC would demand this person's ID immediately. Once the community heard about the surprise testing, very few people would come to the events. There were issues with repeated tests, and people who did test positive were often lost for follow-up, as they no longer trusted the event's organizers and the CDC. Overall, the

cost to find one HIV-positive person in MSM community amounted to RMB 2,900 in this program.

Because ACC deeply believed that the above described approach was ineffective and did not respect the rights or dignity of the community, they developed another model. A more stable community group was formed, where members were paid a salary. Program funds were also spent on administrative costs and on creating a motivating work culture. Consequently, the community group staff were committed and respectful of other MSM community members. This group would conduct HIV testing as well, and if the result was positive, they would refer the person for confirmatory testing at the CDC, at the same time explaining that CDC will require an ID if the result of the test is positive. At the same time, they explained the advantages of getting a confirmatory test, such as access to treatment and care programs, and let the person decide for him- or herself. This method proved much more effective, with rates of loss to follow-up and repeat tests much lower, and overall, including the administrative costs, the program cost only RMB 1,050 for each HIV-positive person found. In addition a stable, committed group of community workers was formed. ACC documented its achievements and differences in effectiveness of both approaches with an aim to advocate for genuine community mobilization in the HIV sector in China.

Annex 3: Detailed Discussion of Determinants of Success of SSO Programs

Extent to which legal environment supports the registration and organizational development of SOs

There is a contradiction between the important role that China's strategic development documents assign to social organizations, as they promote service outsourcing and the actual lack of legal framework supporting SOs to register and develop. This contradiction is especially strong in the HIV sector, where SOs already deliver a significant amount of services but only a small fraction hold a legal identity. If not addressed, this contradiction will hamper the growth of HIV service outsourcing.

On the necessity to develop a comprehensive supportive environment for SOs when legal registration is promoted

The government now cares only about how many organizations have been registered, but is not concerned about how new organizations can survive, mature, and develop.[1]

The leader of a social organization in Guangzhou (which has implemented a pilot making it easier for SOs to register) quoted in the media

As specified in article 22 of The Government Procurement Law—which is currently the main law governing SSO in China and which covers all procurement done by the government—a supplier in government procurement shall have the *capacity to assume civil liabilities independently.* Thus, in order to enter into a contractual relationship with the government, SOs need to have legal identity. This ensures necessary protection of interests of both SOs and the government in the event of a breach of contract. As a result, as we have found from decision makers and academics, it is also unlikely that unregistered SOs will be able to receive funds under SSO. China's financial authorities were reported not to be willing to authorize the financial pass-through arrangement—channeling the funds through a government managing partner, because this arrangement would be illegal for funds coming from the government.

Consequently, there seems to be a growing recognition among officials that unless this issue is addressed, most existing SOs will not be able to take part in service outsourcing. At the national level the *China Action Plan to Prevent and Control AIDS during the 12th Five-Year Plan Period* advises clearly that

> Civil affairs departments shall facilitate legal registration of social organizations, and health departments shall fulfill their responsibilities as sponsoring agencies.

Health officials we interviewed in Yunnan province noted they realize that lack of legal status among SO may affect negatively the start of SSO programs. Several of them mentioned the need to advocate with the local health bureaus so that the bureaus act as sponsoring units and support SOs in obtaining registration.

The Ministry of Civil Affairs has sent several positive signals about the long-awaited revision of the national legal framework for the civil society in all sectors. Most notably, in May 2012, the Minister of Civil Affairs, Li Liguo, endorsed the recent progressive pilot measures for registration and management of SOs in Guangdong province and indicated these measures will be scaled up nationwide. We have also found that localities in China that piloted SSO programs (such as Beijing, Shanghai, or Guangzhou) have also concurrently intensified efforts to have more SOs registered.[14]

However, in spite of the positive signals coming from the national level, in Yunnan the possibility remains uncertain for substantial changes in SO registration rules covering the HIV sector in time to ensure a sufficient number of capable registered organizations to compete for government contracts when outsourcing programs begins. The Civil Affairs Bureau in Yunnan province appears to perceive the organizations working in the HIV sector as sensitive and entirely the Health Bureau's area of responsibility. The Civil Affairs Bureau does not engage in communication with HIV SOs even though it is pursuing several projects focusing on promotion of social organizations in other sectors and building their capacity. It appears that unless there is a strong supportive signal from the national level pushing for local pilots in registering non-profits and/or specifically non-profits in the HIV sector, it is unlikely that changes in registration of SOs will cover organizations working in the sector.

However, some SOs in the sector could potentially use the current registration system, provided health bureaus indeed extend their support. Assuming that health bureaus will indeed be able to encourage local health officials to provide official sponsorship to SOs in the process of registration, some SOs may be able to obtain legal status under existing regulations. This is likely to position these SOs well for the upcoming SSO programs.

Making registration possible for more SOs in HIV sector—either through changes in current regulations or through Health Bureaus fulfilling their responsibilities to become sponsoring agencies—is a necessary step. However on its own, it is not sufficient to create a supportive environment for SOs' development, which in turn is essential for well-functioning SSO programs. To create this supportive environment, the legal framework for SOs would need to respond to the varied needs of these organizations. There is already some evidence from Guangzhou city that pursuing registration without taking into consideration the needs of the third sector may backfire when SOs who obtain registration are paralyzed by inability to meet the complex administrative standards required of registered organizations.

Were such a supportive legal framework to be developed for SOs in the HIV sector, one of the main challenges would be finding an appropriate way to provide legal identity and development opportunities to CBOs with very low levels of organizational development. We estimate that at least half of Yunnan HIV organizations belong to this category. Such groups consist of a few PLHIV or MARP

[14] All three SOs delivering services under government contracts that we interviewed for this study in cities of Beijing and Shanghai hold legal registration as SOs, and all three have gained their registration recently.

(often organized and managed by the local health officials) and are characterized by high staff turnover and weak or almost non-existent administrative structures. Although they deliver important services, they are not in a position (and often not willing) to become independent organizations and shoulder the administrative responsibilities such as accounting, management, or human resources.

The Civil Affairs Bureau in Yunnan tried to address the issue of practical illegality of such groups in all sectors by introducing a file-for-record (*bei'an*) procedure in year 2008. The procedure provides SOs with a modicum of recognition with the local authorities, so that an organization is "not illegal." However, a file-for-record has not been popular with organizations in the HIV sector: out of 129 organizations we interviewed, only one has undergone this procedure. Anecdotal evidence suggests that the number is low because the procedure—although it imposes several responsibilities on the community groups and helps the government track and control the work done by the groups—does not grant the groups any rights. In particular, local groups that obtain a file-for-record are not able to obtain a registration certificate or open an organizational bank account. Importantly, file-for-record procedure also does not provide a sufficiently legal status to enable the group to take part in service outsourcing programs.

There are also two additional issues that we have identified through a review of local pilots of social management in China that are closely related to effectiveness of SSO programs and can be addressed if a review of legal framework for non-profits is undertaken in Yunnan.

We found that in two sites where government was buying social services from SOs, regulations and practice were making it possible for some more developed registered organizations to fundraise from the public. Guangzhou city has piloted a regulation that allows SOs to fundraise after they have received permission for each fundraising campaign. In Shanghai, we have identified an HIV SO that was able to register a small foundation and use it for fundraising campaigns. Creating legal ways for SOs to raise money for their activities is important, since funds from government outsourcing schemes are going to be limited. SOs' being able to mobilize public funds for HIV response will allow many of them to simply survive when they are not successful at winning a government contract. In addition, SOs may use creative fundraising methods to mobilize additional funds.

The second lesson learned from other localities is about the importance of tax exempt status for SOs. Organizations we have spoken to in Beijing and Shanghai are asked to pay taxes on SSO funding, since it is difficult for them to obtain tax exempt status. Beijing SOs have also shared that they were unable to include taxes in their SSO budgets (as taxes were not allowable) and, as a result, had to cover tax from other sources. This experience calls for early consideration of tax exemptions if legal regulations for the third sector are being revised in Yunnan.

Extent to which SOs are allowed to cover core costs from SSO funding

SOs need basic financial stability if they are to become well functioning partners of the government and deliver quality results. Yet financial rules and regulations

currently used for SSO programs do not take into account the context and needs of SOs, and they allow SSO funding to cover only the direct costs of delivering the services. The core costs that organizations need to incur in order to function and develop, such as management and accounting costs, office rentals, equipment, social security for staff, and proposal-writing costs are not allowable.

On negative effects of the widespread practice of community mobilization based on monetary incentives

In Yunnan many people from the target groups have been spoiled by money. Many people (target groups), *when asked to participate in an event, will immediately enquire if they will be paid for participation; some would even compare how much they can receive at each event.*

Representative of a CBO from Yunnan

The negative impacts of not allowing for full cost recovery are confirmed by experience of SSO programs in other countries and in other locations in China, as well as, to a degree, by the experience of GFATM (even though substantial core costs were allowed by GFATM). Thus, unless financial rules of SSO are adapted to respond to the needs of the third sector, the inability to cover core costs will undermine the very objective of the program (i.e., the effective delivery of services). The result will be serious, chronic underfunding of SOs' functional capacities. The organizations will not be able to hire staff in accordance with the labor law, provide a decent working environment, or invest in organizational development and improvements of programmatic work. Small CBOs will become increasingly dependent on local government because organizations will not be able to attract qualified staff and will, consequently, need close support and guidance from government staff. Inability to cover core costs might also be, in the words of one of our interviewees, "an incentive to financial mismanagement and creative accounting for organizations." Excluding core costs from allowable costs is also likely to distort the competitive bidding processes, since NGOs will be in an unfair competition with organizations, such as public institutions, that already have their core costs covered from other government sources.

Extent to which SSO management structures and procedures ensure equal and fair access for SOs

Ensuring fair access to SSO programs is among main challenges that designers of SSO programs will face. Several SOs and academics interviewed for this study expressed concern that competition for service contracts will be limited as the governments will prefer to contract to organizations they trust and have linkages with, rather than with the ones that can prove their effectiveness and present best proposals. This issue should be considered seriously before SSO is started. There is a threat that the "supply" side of SSO could quickly become monopolized by SOs that are not necessarily most effective, but that are strongly affiliated with the government, as little funding is now available to SOs in the HIV sector besides SSO. Unless fair access is ensured, many well-performing SOs may not have funding sources to survive until the time contracts are renewed and they will break up. If the "supply" side of SSO is monopolized, the positive effects of introducing competition will not be seen.

We noted concerns about fairness of the bidding processes at two levels. At the grassroots level, many local governments have created or closely managed creation of local CBOs and are likely to prefer these affiliated organizations to outsiders. At a higher level, where bidding will take place for large-scale, more complex service delivery such as capacity building or research, organizations affiliated with the government such as GONGOs, public institutions, or mass organizations may use their closeness to the government to crowd out equally or more capable NGOs.

These concerns are compounded by the fact that no applicable models yet exist for ensuring transparency—a safeguard for fair competition and equal access—in large-scale programs in China in the HIV sector. Admittedly, GFATM programs have initiated basic processes for ensuring program transparency, and these have improved a little with time. But even so, organizations we interviewed identified several non-transparent practices in program management, especially with respect to the bidding processes.[15] Limited transparency under GFATM has led to confusion, fighting, and tensions among stakeholder, as well as lack of trust in the fairness of the process. Thus, establishing standards and good practices with respect to transparency appears to be a task of high importance for officials responsible for SSO design and management.

Extent to which SOs are able to give full play to their varied strengths and capacities under SSO programs

Essential to the design of government outsourcing of HIV sector services is a decision on a range of roles that government will fund non-profit providers to play. We understand from interviews with academics that a list of HIV services to be covered by SSO is now being drawn up in Beijing.

Until now, SOs in Yunnan have demonstrated that they can provide a variety of services, often at a considerable scale, and add on new ones as needs arise. Most community-based groups have focused on delivery of basic, standardized services at the grassroots level, drawing on their unique advantage to identify and reach out to marginalized groups. However a few more experienced SOs in the province have moved beyond delivery of basic services. They have developed new or improved services, conducted research needed for better understanding of the epidemics and appropriate responses to it, trained other social organizations, or engaged in policy advocacy.

A valuable and unique characteristic of the third sector is its ability to mobilize communities so that they start to self-manage and take responsibility for parts of the HIV response. Not all SOs exercise this ability, as it requires a long-term, patient involvement with the communities, an aspect of program implementation not always appreciated or funded by donors. The organizations that do adopt this approach, are

[15] Most problems reported were related to the bidding processes. They included tender notices being published within a very short time to the deadline for submission of proposals, with an earlier publication date, limited channels used to publicize the tenders, no information provided on scores received by each proposal, no information provided on members of the award committees, no feedback provided to unsuccessful SOs, or general delays in publication of information. Information about projects' implementation and results is also not shared under GFATM.

able to, in the long term, achieve sustainable program outcomes in a cost-effective way. This is in sharp contrast to a rather common practice of mobilizing the community based on monetary incentives, which has proved ineffective, costly, and unsustainable.

Therefore, an important task ahead of policy makers responsible for designing outsourcing programs for social services will be to ensure that SSO programs provide space for social organizations to fully utilize their potential and demonstrate their various strengths and capacities. Especially important is that SOs are enabled to gradually provide more complex services as their capacity improves (rather than just be confined to delivery of basic services) and that SSO programs promote SOs' unique capacity for community mobilization.

Extent to which SSO programs address the capacity building needs of the third sector

Professionalization of the third sector remains among the main challenges in ensuring full social participation in the HIV response. Capacity levels are varied among SOs, but most social organizations in the sector are young, small CBOs with limited technical and organizational capacity. Despite some efforts to establish capacity building interventions under internationally funded programs, until now no systematic models of capacity building programs have yet been devised for the HIV sector in China.

The most detailed existing analysis of capacity building activities, needs, and gaps in the sector, *The Independent Assessment of Civil Society Organizations Capacity Needs for a Scaled up Response to HIV in China*, concluded that capacity building activities for SOs are non-systematic, not continuous, insufficiently targeted, methodologically weak, and inadequate to address the capacity needs of the social organizations. The capacity building providers within the GFATM program are described in the assessment as ill positioned and poorly prepared to effectively meet the diverse range of technical and institutional capacity building needs of the different groups of SOs.[16]

The findings from our research confirm these conclusions for Yunnan province. Social organizations we interviewed complained of prevalence of repetitive trainings irrelevant to their work used as a main method of capacity building and of a lack of systematic mentoring and on-the-job coaching (which they considered the most effective capacity building mechanisms). Social organizations also felt they had no influence over what capacity building support was provided to them and by whom. They especially criticized ad hoc expert supervisory visits. With a few notable exceptions of support visits delivered by committed experts widely known and respected by the community, they complained the visit were ad hoc, not relevant to their work, and described them as "wasted funds."

[16] *Independent Assessment of Civil Society Organizations Capacity Needs for a Scaled up Response to HIV in China*, Non-Profit Incubator, The International HIV/AIDS Alliance, The Technical Support Facility for Southeast Asia and the Pacific, May 2011

The weaknesses of capacity building approaches under GFATM appear to be caused more by faulty program design than by lack of capacity building resources. In Yunnan alone, a significant number of capacity building resources exist as a legacy of former internationally funded programs supporting HIV response. The resources include customized manuals, operating guidelines, capacity assessment tools, and training curricula as well as practitioners with experience of putting these materials to use. While some tools may still be lacking (for example tools to measure the actual levels of technical and organizational capacity of social organizations), overall existing resources in the province form a solid basis for a robust capacity building program.

Extent to which SSO programs incorporate performance review processes and promote knowledge generation and sharing

Success in shifting more responsibility for HIV services to nonprofit providers under new government programs is closely linked to the quality and effectiveness of performance measurement standards and procedures. At a level of an individual project, performance monitoring and evaluation of outcomes serve several important purposes. First, when services are outsourced, monitoring and evaluation become primary modes through which the government can control service delivery and address potential issues. Second, appropriate sharing of information resulting from performance measurement processes is critical for ensuring that SSO programs are accountable to the community and the wider public. Availability of quality information from performance monitoring and evaluation also contributes to fair competition among SSO providers, as SOs' former performance record can be used as an important criterion to select the best suppliers.

At a program level, an SSO program itself will require extensive evaluation work, especially in the piloting and scaling up period. As a new approach to service delivery, SSO needs to be validated. Experimentation with different approaches and models followed by comparative evaluations are also needed, so that most effective ways of working can be identified.

On the lack of open communication during sharing meetings

During information sharing meetings everyone just touts their projects...there is talk of good aspects, but not about the bad ones (achievements but not challenges or failures).

Representative of a CBO in Yunnan

Current capacity of both non-profits to track and report results and the government to monitor and evaluate projects in a supportive way is limited, and both sides are largely oblivious to this capacity gap. Among SOs, there is little ownership of monitoring and evaluation processes. Organizations usually produce the output-level data that they are asked to report, but they rarely use it themselves for planning or learning. The government officials we have spoken to were mostly concerned about SOs' capacity to provide data on results and operate government management information systems in the new context of SSO programs, but not about the need to build public managers' capacity to use performance measurement as a program management tool.

If data gathered through monitoring and evaluations at the project and program level is to generate shared learning and lead to improvement of programs, knowledge management mechanisms such as consultations and discussions among SSO stakeholders need to be institutionalized. However, an effective and inclusive shared learning mechanisms between SOs and the government is largely yet to be developed in Yunnan province. Formerly several program review meetings have been organized in Yunnan province with SOs' participation. These meetings largely tended to be organized around series of presentations focusing on output-level results and lacked sessions for sharing of program outcomes, generation of lessons learned, and discussion around relevant policy changes. However, our interviewees have provided an example of one city—Gejiu in Honghe prefecture—where, according to their reports, a useful collaboration mechanism was put in place. All stakeholders, SOs, and the government meet there monthly to share information, and this arrangement was reported to improve communication and coordination.

Conclusion: Success of SSO programs will depend largely on whether and how the relationship between the government and the SOs evolves in the direction of joint, multi-stakeholder governance

There currently exists a large disconnect between the role that SOs are asked to play as government partners, shouldering responsibility for delivery of a considerable share of HIV related services, and the fact that SOs are only partially recognized in the official system and are very much constrained in their growth. This disconnect, along with resulting widespread patterns of mistrust and dependency or detachment between SOs and the government, must be addressed if outsourcing is to lead to more effective and accessible services. A new model of collaborative relationship is needed in which contributions of both sides will be valued and in which SOs will be able to maintain some rudimentary degree of autonomy. These are essential conditions for the synergies between the two sides to be realized.

Yet, a vision of how the relationship between the government and SOs could evolve with introduction of outsourcing is lacking. Most health officials we interviewed hold a view that after large-scale outsourcing programs with the governmental funding are rolled out, the current model of dependent CBO relationships should be used, since it helps local officials who are overburdened with HIV response tasks to meet their targets effectively and cheaply. Many SOs we interviewed voiced concern about further decline in their ability to respond to the needs of the communities, as their dependence on the government will grow when they participate in outsourcing. Very few SOs had formulated and started implementing strategies that would prepare them for the new situation.

Thus, while adoption of service outsourcing to SOs in the HIV sector in place of former international program is a timely opportunity for a controlled evolution toward a China-specific, joint, multi-stakeholder governance model in public health, this opportunity may be easily lost if "business as usual" approach is adopted, perpetuating current and creating new problems.