

SHIFTING RELATIONSHIPS BETWEEN THE STATE AND NONPROFIT SECTOR – ROLE OF CONTRACTS UNDER THE NEW GOVERNANCE PARADIGM

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Abstract

Boundaries of the third sector are blurring further with the rolling back of the state, almost all over the world. To discharge its duties, in the changing circumstances, the state is increasingly adopting newer 'tools', means or instruments to involve third party actors, both for-profit and non-profit, to manage the public policy goals. Under this new governance paradigm, governments are being challenged to be 'reinvented, downsized, privatized, devolved, decentralized, deregulated, subjected to performance tests, and contracted out' (Salamon 2002). Whereas earlier government activity was largely restricted to the direct delivery of goods & services by the government machinery, it now embraces a dizzying array of loans, grants, contracts, social regulation, economic regulation, insurance, vouchers and so on. However each 'tool' has its own operating procedures, and indeed its own political economy and the complexity & nuances of the transformation that has taken place in how public policy goals are achieved by the new tools technology are not yet clearly understood.

This paper attempts to understand and illuminate the role of 'contracting' as one of the 'tools', under the new governance paradigm in fulfilling the public policy goals. Main focus of the paper is on one of the variants of the 'contract' - the 'purchase-of-service contract' - wherein under an agreement a government agency enlists a private organization to deliver a service to an eligible group of 'clients' in exchange of money. While referring to the change in relations 'from contracting to partnership' Austin (2003) mentions about 'core agencies' with whom state agencies are establishing partnerships rather than having a relationship of a traditional 'low bid contract service provider'. These core agencies or master contracts in USA, are referred to as mother NGOs, established VOs or anchor NGOs, in the Indian context. The role of contracting, as a tool in fulfilling the public policy goals is illuminated on the basis of three case studies of nonprofit master contracts in Baltimore region of the United States, and a comparative analysis is attempted on the basis of three case studies of mother NGOs from Delhi region of India.

¹ Views expressed in this paper are of the author alone and are not attributable to the organization where he is employed.

Introduction

The new tools, instruments or means of public action have proliferated during the last two decades and are now being used extensively for governmental activities. However, they have surprisingly attracted little attention both by the academics and the practitioners. Although Salamon (1980, 1981, 1987, 1989) had been drawing attention to the emerging third party government for quite some time, and many other scholars have been expressing the need for more serious research on the subject (Ferris 1993, Smith and Lipsky 1993, Melville 1999, Morris 2000, Sclar 2000, Rogers and Glasby 2001, Donahue 2002, Kennedy and Bielefeld 2002, Austin 2003, E+Shambaugh and Weinstein Jr. 2003, Wettenhall 2003, among others), yet it is "The Tools of Government - Guide to New Governance" by Salamon (2002) which has provided a much needed comprehensive treatment and framework to grapple with this topical albeit complex subject.

The present paper is an attempt to understand contracting, as one of the tools of public action, under the new governance paradigm (NGP), as developed by Salamon (2002). The following paragraphs are therefore heavily drawn from this source to explain the framework of new tools technology. The latter part deals with the evolution of contracting, in general, and Purchase-of-Service as well as Master Contracting in particular.

Need for the New Governance Paradigm

Government activity was earlier largely restricted to the direct delivery of goods and services by government bureaucrats. Presently, a dizzying array of loans, loan guarantees, grants, contracts, social regulation, economic regulation, insurance, tax expenditures, vouchers and more are being employed. According to Salamon (2002), "governments all over the world, are being challenged to be reinvented, downsized, privatized, devolved, decentralized, deregulated, delayed, subjected to performance tests, and contracted out." To meet this challenge governments have adopted new tools, and each tool has its own operating procedures, skill requirements, delivery mechanism, and indeed its own political economy.

The delivery of services in 1982 by government agencies in the US was 40% compared to 60% by the private agencies - nonprofit and for-profits (Salamon 1995). In 1999, the contribution by private agencies increased to 72% (Salamon 2002). These trends demanded a New Paradigm, at the heart of which is a shift in the "unit of analysis" in public administration from the public agency or the original policy program to the distinctive tools or instruments through which public purposes are pursued. Five key concepts that form the core of the NGP (Salamon 2002) are listed below:

Table 1

THE NEW GOVERNANCE PARADIGM

Classical Public Administration	New Governance
Program / Agency	Tools
Hierarchy	Network
Public vs. Private	Public + Private
Command & Control	Negotiation & Persuasion
Management Skills	Enablement Skills

Two critical features of the NGP are as follows:

- Clear recognition that the task of public problem solving has become a ‘team sport’ that has spilled beyond the borders of government agencies and now engages a far more extensive network of social actors - public as well as private, nonprofit and for-profit-whose participation must often be coaxed and coached, not commandeered and controlled.
- Realization that the resulting complex systems of public action are not self-executing, that they pose immense management and organizational challenges, and those challenges differ from that characteristic of direct government. Consequently they must be approached in a new way.

Definition, Criteria and Tool Dimensions

In the following paragraphs, definition of a tool, criteria of evaluating tools, their key dimensions and their advantages are provided. These are necessary to analyze and compare the different tools.

Basic Definition

Tool or instrument of public action having multiple features can be defined at any of a number of levels of abstraction. However, a tool has been defined as “an identifiable method through which collective action is structured to address a public problem” (Salamon 2002). Several features of this definition are particularly notable: Tools have certain common features that make them “identifiable”; tools are “institutions” which structure the public action by “collective action”. Any given tool is a “package” or a bundle of attributes and

has a set of rules, defining the relationship among the entities that comprise the delivery system.

Criteria for Evaluating Tools

The consequences of tools can be assessed in terms of five criteria, as identified by Salamon (2002), and are given below:

i) *Effectiveness*: It is the most basic criterion for gauging the success of public action. It essentially measures the extent to which an activity achieves its intended objectives. The effectiveness of different tools varies with the circumstances. Therefore, while making the tool choices, nature of both the tool and its circumstances must be considered.

ii) *Efficiency*: Where effectiveness focuses exclusively on results, a second criterion, efficiency - balances the results against the costs. Thus, the most efficient tool may not be the most effective one; rather, it is the one that achieves the optimum balance between its benefits and costs.

iii) *Equity*: This criterion has two different meanings. The first involves basic fairness - the distribution of benefits and costs more or less evenly among all those eligible. A tool that facilitates the distribution of program benefits evenly across the country thus can be considered equitable in this "fairness" sense. The second connotation relates to "redistribution," to channeling benefits disproportionately to those who lack them. Achieving such redistribution is, in fact, one of the principal rationales for public action. In this view, government exists in part to remedy past inequalities and ensure equal opportunity and access to all.

iv) *Manageability*: Manageability refers to the ease or difficulty involved in operating programs. Recent research on program implementation has recognized its importance as a way of assessing tools.

v) *Legitimacy and Political Feasibility*: Finally, tool choices can also affect the political feasibility and perceived legitimacy of public action. They do this, by helping to determine which actors, and hence which interests, get to shape program implementation, and therefore which are most likely to support or oppose program passage.

Key Tool Dimensions

Following four key tool dimensions as defined below by Salamon (2002) seem most likely to have implications for the kinds of consequences identified above.

i) *Coercion*: measures the extent to which a tool restricts individual or group behavior as opposed to merely encouraging or discouraging it.

ii) *Directness*: measures the extent to which the entity authorizing, financing, or inaugurating a public activity is involved in carrying it out. A direct tool is one in which authorization, funding, and execution are all carried out by essentially the same entity.

iii) *Automaticity*: measures the extent to which a tool utilizes an existing administrative structure to produce its effect rather than having to create its own special administrative apparatus.

iv) *Visibility*: measures the extent to which the resources devoted to a tool show up in the normal government budgeting and policy review processes.

Salamon (2002) has proposed that ‘contracting’ creates a ‘moderate/medium’ degree of ‘coerciveness’ and ‘directness’ compared to ‘low’ in case of ‘tort liability’ and high in case of ‘economic regulation’. For the degree of automaticity, again the ‘contracting’ is regarded as a ‘moderate’ tool, compared to ‘low’ for ‘economic regulation’ or ‘insurance’ and ‘high’ for ‘vouchers’ or ‘tort liability’, etc. Similarly, in case of degree of ‘visibility’, ‘contracting’ is proposed to be a ‘moderate’ tool, compared to ‘direct government’ or ‘voucher’ with ‘high’ degree and ‘economic regulation’ or ‘tort liability’, etc. with ‘low’ degree. Based on the above discussed key tool dimensions and their evaluating criteria for determining the impacts/consequences of ‘contract’ as a tool, a matrix is developed, as shown below:

Table 2

FRAME OF REFERENCE FOR STUDYING CONTRACTING UNDER THE NGP - KEY TOOL DIMENSIONS & LIKELY IMPACTS

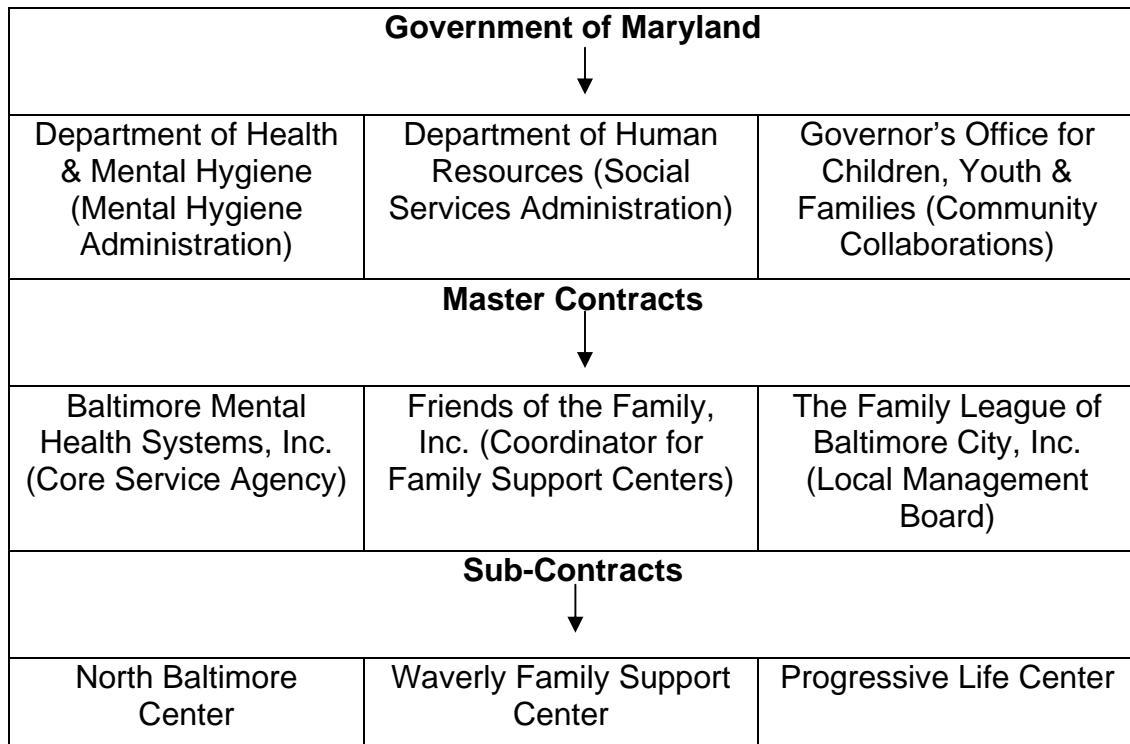
KEY TOOL DIMENSIONS <i>DEGREE / MEDIUM</i>	LIKELY IMPACTS/CONSEQUENCES				
	Effecti -veness	Effici -ency	Equity	Manage -ability	Legiti -macy
Coerciveness	Moderate	High	Moderate	Moderate	Moderate
Directness	Low / Medium	Medium	Low	Low	High
Automaticity	Moderate	High	Moderate	Low	Moderate
Visibility	N/A	Moderate	Moderate	Moderate	Moderate

This frame of reference was tested in the present study by a methodology to reveal results discussed in later parts of the paper.

METHODOLOGY

A sample of three master contracts deployed or partnered by three government departments of the State of Maryland was drawn as case studies. Officials from the three government departments and their three master contracts were interviewed. In addition, three sub-contracts or provider-partners of the master contracts were also visited to observe and discuss some social/human services delivery work being carried out at the ground level. In all, the following nine organizations were contacted during October-November 2003 in USA.

Organizations Contacted for the Study in USA



For a comparative study of contracting in India, following organizations were contacted during March-April 2004.

Organizations Contacted for the Study in India



A detailed questionnaire was prepared for the master-contracts & mother NGOs and was pre-tested before canvassing. For government officials and sub-contracts, separate schedules (interview guides) were prepared and utilized while interviewing. In all, a battery of questionnaires, schedules, direct observations and personal interviews was pressed to arrive at the results, discussed in the next part of the paper. A literature survey from the books, journals and government documents was undertaken to understand the subject of the research topic as well as to highlight the gaps. This helped to identify the importance of this research and to articulate the theoretical crosscurrents on the subject.

Discussion

Rise of the Contract Culture

In the United States, it appears that the trend of contracting with private third parties caught up momentum after the two World Wars. Salamon (2002) further points out that this development has proceeded especially far in the US, “where hostility to government has long been a staple of political life, and where the expansion of governmental programs consequently has had to proceed in a highly circuitous way. Contracting arrangements invented to fight the ‘Revolutionary War’ and later elaborated to handle the far more complex tasks of product development during World War II were thus quickly expanded in the aftermath of that war to fields as diverse as agriculture, health, space exploration, and social services.”

Smith (1999) also believes that the contracting between government and private parties emerged in the 1960s, when “public funding of nonprofit agencies increased sharply, spurred by large rises in federal funding. Over time, federal, state, and local governments found themselves with sizable and growing amounts of their service activities provided by nonprofit agencies. In some states such as Massachusetts, entire state departments contracted out their services to nonprofit agencies. Initially, many of the new federal and state grants lacked stringent guidelines and regulations. Over time, though, federal, state, and local agencies discovered that they now were in charge of a very large service system, albeit one provided by nonprofit agencies. In order to ‘rationalize’ this system (Brown, 1983) and ensure that the government agencies were maintaining accountability for the expenditure of public funds, the regulations governing contracts became increasingly stringent, even to the point of government sometime specifying the names of clients to be served by the agency (Smith and Lipsky, 1993; Gronbjerg, 1993).”

However, Hanrahan (1983) feels that it was in the mid 50’s when the foundations for contracting were laid. He reports that President Eisenhower began the new trend in government when he said in his budget address in 1954: “This New Budget marks the beginning of a movement to shift ... to private enterprise federal activities which can be more appropriately and more efficiently carried on

in that way". Thus, as Hanrahan notes, "The 'Contract State', as Nieburg had dubbed it, was on its way."

With the passage of the Personal Responsibility and Work Opportunity Reconstruction Act of the 1996, also called the 'Welfare Reforms Act': a new round of devolution has been set in motion and this is "likely to reshape the existing government-nonprofit partnership, particularly through funding and contracting relationships" (De Vita 1999).

Direct vs. Master Contracts

The shift from 'simple' / 'direct' contracting to 'complex' / 'indirect' or 'master' contracting appears to have been started in 1980s. According to Smith (1999) "In the early years of widespread contracts, most contracts entailed a direct relationship between government and the nonprofit agency, in fields like mental health and child welfare. The advent of managed care in late 1980s made the relationship between government and nonprofit organizations more complicated and indirect. For instance, in states, such as New Jersey and Massachusetts the state department responsible for child welfare services has replaced its direct contracts with a large contract with a third party agency that is paid on a capitated basis for the state." Lavery (1999) likes to call these two types of contracting as the "pepper-pot" approach vs. the "big-bang" contracting, where services for delivery are bundled out to one master contract.

In this context, to highlight the role of master contracting, Salamon (2002) quotes the example of the system for delivery of publicly financed mental health services in Tucson, Arizona documented by Milward and Provan (1998). Funding for such services comes from a variety of federal and state government programs. However, no federal or state bureaucrat ever comes in contact with any mentally ill person. Rather, the entire system is operated at two and three steps removed. The state of Arizona not only contracts out the delivery of mental health services, it also contracts out the contracting out of mental health services. It does so through a "master contract" with a private, nonprofit local mental health authority called ADAPT Inc., which in turn, handles all dealings with more than twenty other local agencies that deliver mental health services in the Tucson area. While this may be an extreme case, the pattern it exemplifies has been a central part of public-sector operations for well over a generation now. It also acknowledges the advantages that such networks can bring. In this regard, the 'network theory' tries to explain the complexities of policy making in many democracies, where power is splintered among numerous divergent groups.

In addition to 'network theory', Salamon (2002) refers to 'principal-agent theory' also, which is a broad body of concepts to explain the existence of organizations in market system. This theory provides insights into one of the paradoxes, which arise in relationships between principals and agents in contractual, or third-party arrangements of the sort that new governance entails. Despite the apparent influence that the principals wield by virtue of their control of the purse strings, it turns out that the agents frequently end up with the upper hand. This is so,

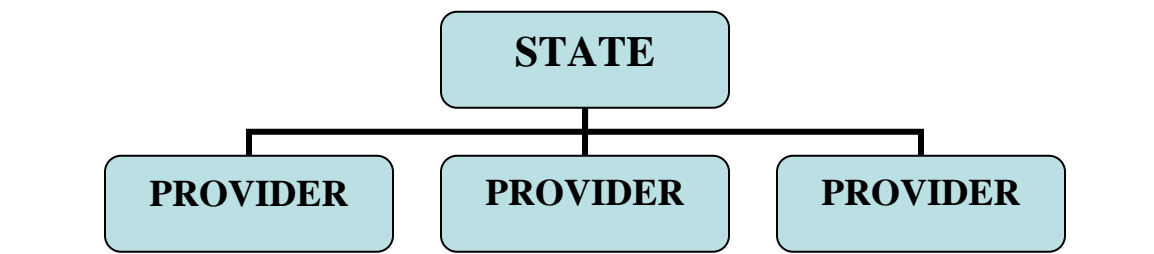
because the agents in such relationships typically have more information than their principals about what they are doing with the discretion that is inevitably left in their hands, according to the principal-agent theory. The agents, therefore, have significant opportunities to shirk their duties. The only way for principals to avoid this is to secure better information about how the agents are performing, but it involves costs. Therefore, every principal has to find an equilibrium between the level of control it would like and the level it can afford.

Thus as discussed above, contracting can be of two types, (i) Simple or Direct, where the state is dealing with a large number of providers or vendors, and (ii) Complex or Indirect, where the state is involving additional actors in the form of intermediaries, called as master contracts or umbrella/core organizations. These two types of contracting are shown in the diagram below:

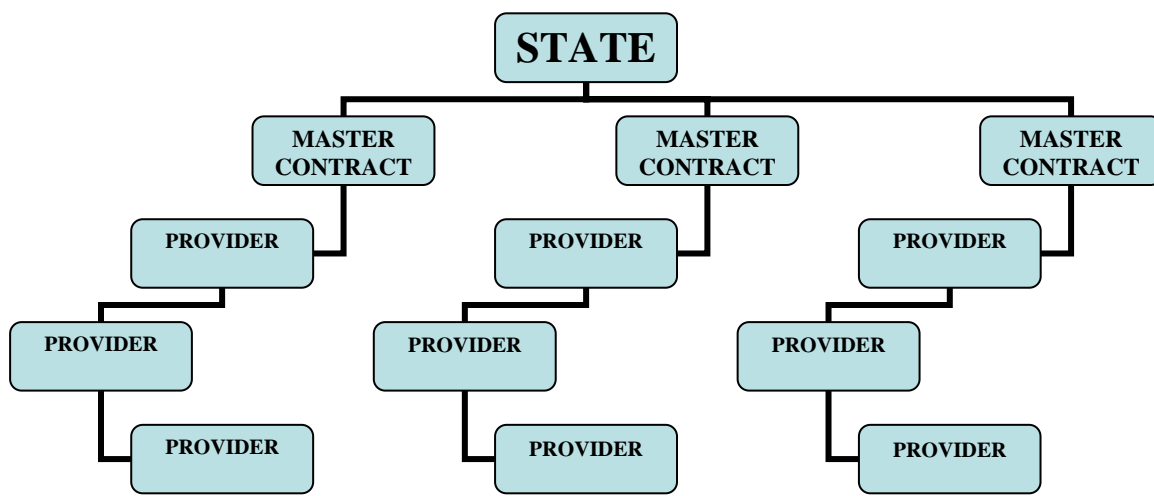
Diagram 1

DIFFERENT PATTERNS OF CONTRACTING

(A) Simple or Direct



(B) Complex or Indirect



‘Procurement’ vs. ‘Purchase of Service’ Contracting

Contracting is defined by Kelman (2002) as “a business arrangement between a government agency and private entity in which the private entity promises, in exchange for money, to deliver certain products or services to the government agency or to others on the government’s behalf”. The private entity may be either a for-profit business or nonprofit organization.

Purchase of Service (PoS) contracting, a variant of contracting, is more prevalent in health, human and social services. DeHoog and Salamon (2002) have defined PoS contracting as essentially involving “an agreement under which a government agency enlists a private organization to deliver a service to an eligible group of ‘clients’ in exchange of money”. Basic mechanics of PoS contracting involves:

- Service Planning and Contract Initiation
- Preparing and Advertising the Solicitation of Bids
- Proposed Review and Awards
- Contract Management and Monitoring
- Contract Renewal or Termination.

PoS contracting differs from the procurement contracting, in that it involves government purchase of services for third parties rather than for government’s own use. As PoS contracting is prevalent mainly in the human/social services, it has several features that distinguish it from other types of contracting. DeHoog and Salamon (2002) have identified following five such distinguishing features:

i) These services are often directed at assisting or changing the behavior and circumstances of disadvantaged populations (e.g., homeless, mentally ill children). Therefore, services are often complex involving many uncontrollable factors and as a result, the measurement of performance and success is problematic. It is more difficult to reward and punish contractors because so many factors may be outside their control.

ii) These services are highly labor intensive, involving personal care in group homes, child care, etc. Thus, it is difficult to reduce or control the cost. The exercise of discretion by the service provider is a critical element of the process itself.

iii) As there are difficulties in defining performances and the degree of service discretion involved, the purchasing agency must invest significant time and expenses to review the service delivery process.

iv) Human service contracting also differs from other contracting with respect to the purchasing process because: (a) a high degree of competition among private suppliers is often not useful; (b) contracts typically are negotiated, not competitively bid, as they are for many other public services; and (c) a

cooperative, rather competitive approach between state and contractor may be more appropriate.

v) In human services contracts, nonprofit organizations as opposed to for-profit are commonly in central, although this has been changing recently. Increasingly, public agencies are entering into 'master' or 'umbrella' contracts with private agencies in order to deal more effectively with the array of services often required to achieve a particular policy objective. Under this arrangement, public agencies award large, general contract to agencies that in turn have broad responsibility for selecting, training and monitoring sub-contractor agencies.

Due to various factors PoS contracting is expanding and a report on the PoS project, submitted by the Office of Policy and Management (2003) to the Connecticut General Assembly, stated that in future "Contract management will be seen less as a subsidiary administrative function and more as a core competency of state governments".

Analytic Power of the New Governance Paradigm

A new era of public problem solving has dawned in the US and many other parts of the world, where instead of relying exclusively on government to solve public problems, a host of other actors are being mobilized as well, in complex partnerships with the state. In this new setting, traditional notions of public and private responsibilities are being turned on their heads and traditional conceptions of public administration rendered largely obsolete. To cope with this new reality, a new conceptualization is provided under the NGP. This new paradigm acknowledges the complex networks of interaction that now characterize our efforts to deal with public problems, that appreciates the strengths these networks can now entail.

The NGP thus is a realistic framework for public decision making even while it is an optimistic one. It celebrates the proliferation of tools of public action and the resulting activation of new partners for public work, while squarely acknowledging the challenges this creates. More than that, it offers concrete insights into the operational requirements that these various tools impose. From the above discussion it is clear that the NGP, and the tools framework on which it rests, has considerable analytic power as a source of insights into the challenges of public problem solving in the era of third party government.

Contracting in other Countries

The new tools technology proposed above, particularly contracting, is practiced in many European countries (Perry and Kendall 1997), Australia (Davis et al. 1997), New Zealand (Boston 1995) and also in India (Brinkerhoff 2003, Kumar 2003).

In India, due attention is being paid to governance for human development and this has been reflected in the first 'National Human Development Report' (2001), 'Successful Governance Initiatives and Best Practices: Experiences from Indian States' (2002) and the Tenth Five Year Plan (2003) of the Government of India. In this regard, it would be pertinent to refer to the example of contracting under the Mother NGO (MNGO) scheme of the Department of Family Welfare, Government of India. There are about 102 MNGOs to whom the RCH schemes have been contracted out, as on 1st June 2004. These MNGOs provide funding & training to about 800 field NGOs (FNGOs) working in 439 districts of India. In addition, there are four national NGOs (NNGOs) identified by the Department of Family Welfare, which provide technical support to MNGOs as regional resource centers.

The MNGO model has been quoted under two recommendations of the "Report of the Steering Committee on Voluntary Sector for the Tenth Plan (2002-07)" of the Government of India (2002), has been proposed for replication by other concerned Departments/Ministries:

"(6) Sanctioning system for schemes implemented through voluntary sector may be decentralised. The model of Mother NGOs (MNGOs) adopted by Department of Family Welfare may be adopted by other Departments / Ministries. A designated MNGO or a Nodal NGO may be allowed to take care of the work of three-four related sectors. While adopting the concept of MNGOs care should be taken that it should not hamper the growth of smaller / newer NGOs."

As most NGOs in India, do not want to be labeled as contractors but like to be treated as knowledgeable partners, the word contractor is especially highlighted in the following recommendation of the report:

"(7) VOs/NGOs should be shown proper dignity as knowledgeable partners in the development process and not treated as pawns, contractors or beneficiaries by the staff dealing with the voluntary sector."

It is an interesting paradox that NGOs want to have contracts but do not want to be called as contractors. In this regard, Perri and Kendall (1997) believe that "Contracting turns the relationship between the state and hundreds of thousands of private and once 'civic' associations from one of gift-giving and community development into legal matter of service delivery at a price." In other words, NGOs perhaps have to pay a price, while getting the contracts from state at a price. It is clear that any study on challenges posed by contracting has implications for the NGOs working for development of billions of people in the developed as well as developing countries.

Results & Analysis

Results received on key questions regarding contracting, are discussed below:

Setting up of the Master Contracts

The three master contracts selected for the study were established in late 1980s and early 1990s, as non-profit organizations under section 501©(3). The Department of Health & Mental Hygiene, the Department of Human Resources and the Governor's Office for the Children, Youth & Families in Baltimore were the key players in setting up these three master contracts as 'Core Service Agency', 'Local Management Board' and 'Coordinator for the Family Support Centers' respectively. In addition to the active support of the state and city governments, there were some private foundations, such as the Robert Wood Johnson Foundation and the Annie E. Casey Foundation, which helped in setting up these three master organizations. Some of government officials joined as founders of these newly set up master contracts which were established in the pursuit of a vision of state and concerned citizens, advocates and specialists, to address the pressing social problems of the State of Maryland. The three study MNGOs were established in 1983, '84 and '99 and only one MNGO got the start-up grant from the government to open up its branches in north India.

Negotiating the Contracts

Initially, all the master contracts studied were the sole source contracts, but one of the agencies had to participate in the competitively bid contract process since FY 1998 and again recently for FY 2004, through a publicly advertised 'Request for Proposal' (RFP). The contract in this case is incorporated in the proposal and to a large extent; the RFP is a controlling document. The second master contract signs a Memorandum of Understanding (MOU) and the third master contract has a Community Partnership Agreement (CPA) with the concerned departments of the state government. These documents are prepared by the concerned departments of the state government, based on the guidelines available under the Code of Maryland Regulations (COMAR). In case of MNGOs, they applied in response to open advertisement and got the award after appraisal of their work.

Advantages of hiring a nonprofit Master Contract compared to the Govt. Agency

- More flexibility in hiring and firing of personnel
- Ability to move quickly without administrative burdens or political pressure
- Funds can be raised from other public and private sources
- Quality can be maintained despite political influences
- Can experiment with new programs and approaches
- A critical mass for advocacy can be created & communication with peers and others doing similar work is easier
- Continuity over time can be maintained, despite changes in the administration.

Limitations/Constraints on the organizations acting as a Master/Mother Contract

- Any work/products produced are the property of the state
- The organizations may not act as lobbyists
- Funds are generally earmarked and not flexible.

Changes made in the blueprint by the Master Contracts to suit local conditions

One of the master contracts stated that they have made “no changes to the ‘boiler plate’ contract required of the state”, while the other one pointed out that they have re-directed some funds to some programs to improve results and indicators. The third one proudly proclaimed that they go beyond the contract expectations, and cited two innovative programs/services launched. MNGOs broadly adhered to the blueprint provided under the contract.

Any adjustments made in the ongoing programs, after being informed of policy changes by the Government

- One Master Contract was not allowed to provide the services directly that they had been providing earlier. Same restrictions apply to MNGOs.
- They made improvements in the contract monitoring based on the contract expectations
- They regularly made changes to the ongoing programs funded under the contract, so that they would work better but not because of any policy change by the government.

Selection & monitoring of Sub-Contracts by the Master Contracts

Providers are selected through the distribution of RFP and they have extensive sub-contracting monitoring arrangements. One of the organizations evaluates performance by qualitative and quantitative information collected during scheduled and impromptu visits by program consultants, monitors, peer reviewers and others. To monitor services by the sub-contracts they have developed a computerized MIS. In addition, they get monthly and annual summary reports from the providers. They use monitoring, evaluation, training, technical assistance / mentoring, self-assessment and peer sharing as components of the quality assurance process. In case of selection of FNGOs, their records are scrutinized and project sites visited by the MNGO.

How the Master Contracts monitor success of their programs

- Collecting and monitoring outcome indicators on a number of programs
- Complying with contract monitor requirements
- Sending questionnaires to approximately a hundred randomly selected families to rate their satisfaction with the program

How the work of the Master Contracts is monitored by the Government

Government for contract compliance regularly monitors their work. One Department sends a team of four monitors to review the progress of work of the master contracts.

Contracting creates dependency syndrome and derails or deviate NPOs from their stated missions/goals

None of the respondents agreed with this concern. For one of the government officials, it is the ‘grant’ and not the ‘contract’, which creates dependency syndrome.

Budget size and how adjustments made to manage ongoing budget cuts

Average budget size of the three study master contracts for the last three years was \$2.8 million, \$10 million and \$20 million respectively. Budget cuts have affected all of them and two of them even had to lay off some staff. In order to absorb in the budget one of the master contract had to close six of their low-performing sub-contracts and reduce funding to three of their providers. There was no such problem faced by MNGOs.

Key Tool Dimensions

Views of the government officials, master contracts and sub-contracts were sought on 'coerciveness', 'directness' and on 'automaticity' of contracting as a tool of public action and results received against the predictions/expectations of Salamon (2002). Results on these tool dimensions are summarized below.

Table 3
**RESULTS ON KEY TOOL DIMENSIONS OF CONTRACT
COMPARED TO THE GIVEN 'FRAME OF REFERENCE'**

Key Tool Dimensions (Given/Predicted = Medium/Moderate)	Results			
	Government Officials	Master Contracts	Mother NGOs	Sub- Contract
COERCIVENESS	Medium	Low	Medium	Medium
DIRECTNESS	Medium	Low	Medium	Medium
AUTOMATICITY	Medium	Low	Medium	Medium
VISIBILITY	High	Not Consulted	Not Consulted	Not Consulted

Views of master contracts on key tool dimensions are different from the predictions, which are however, supported by government officials and sub-contracts. This may be because of their positioning, that the intermediary organizations are finding the degree of coerciveness, directness and automaticity as low, compared to the expected moderate degree for these dimensions.

Likely Impacts/Consequences of the Tool

Regarding the hypothesis / predictions of Salamon (2002) on the impacts / consequences of the tool, the results received from the government officials and master contracts are tabulated below:

Table 4
**RESULTS OBTAINED ON IMPACTS OF CONTRACT
COMPARED TO THE GIVEN 'FRAME OF REFERENCE'**

Likely Impacts / Consequences	Results			
	Given / Predicted	Government Officials	Master Contracts	Mother NGOs
EFFECTIVENESS	Moderate	High	Moderate	Moderate
EFFICIENCY	Moderate / High	High	Moderate	High
EQUITY	Moderate / Low	Moderate	Moderate	Moderate
MANAGEABILITY	Moderate / Low	High	Moderate	High
LEGITIMACY	Moderate	Moderate	Moderate	Low

Here, the responses of informants mostly match with the predictions. Response of government officials, for effectiveness and manageability as high than moderate, as predicted, reflects their confidence on the tool.

Advantages of the Master Contracting compared to Direct Contracting

- Government officials felt that master contracting is better as:
 - It avoids intense bureaucracy and involves lesser paper work
 - Master contract has a better understanding of local needs and politics
 - Government has administrative convenience and better control while dealing with lesser number of service providers
 - It helps in devolving the functions, roles and responsibilities of state at appropriate levels.
- Sub-contracts felt that master contracting is better as:
 - It is easier to get technical advice and guidance from intermediaries or master contracts than the government
 - Master contracts have more flexibility, latitude and discretion.

Suggestions for improving the Contracting System

According to the master contracts, the following should be done.

- Government should:
 - focus on ends and not on means
 - allow more flexibility in the manner of expenditure of funds
 - find a new paradigm for public-private partnerships rather than having the formal competitively bid processes.
- Contractor should:
 - have clear expectations and deliverables
 - invoke stricter standards for case management
 - find a way to work with the government to improve the contracting process, documents and procedures which do not threaten or anger staff, preferably in the mode of partnership or participation and not vendorship.
- Community should:
 - be able to participate in contract negotiations and demand good services
 - be educated on indicators/results
 - demand that services are adequately funded and administered by knowledgeable government servants.

Government Officials, felt the need for:

- more accountability of contracts
- measurable outcome based contracting
- community output should be there for getting the relevant information
- more training and funding is required
- a balance has to be maintained between expediting the contract sanctioning process and imposition of a number of checks and balances by the government.

For the Sub-Contracts, following should be considered:

- the contracting system should be open ended and flexible
- there should be proper oversight procedures in place
- need for simplification of procedures and for lesser paper work.

Contracting - the best available tool or there can be an alternative

For two of the master contracts and all the three government officials, 'contract' is the best available tool to achieve the objectives of the program, while the third one felt that 'grant' seems to be the best way to go about since it provides more flexibility, creativity and autonomy to the provider. In the contract negotiated by bidding process, creativity and flexibility are discouraged and business goes on as usual; regularity and predictability become the norm. Therefore, there is a need for a new paradigm for contracting, which needs to be worked out.

Responses from the study, as received from both the state officials and sub-contracts or providers/vendors, support the complex model of master contracting because of its operational advantages, compared to the simple or direct model of contracting. This finding further lends support to the recommendation of the Planning Commission, Government of India to replicate the MNGO or master contract model of service delivery.

From the results it is evident that contracting as a tool of public action is working well. PoS contracting in Maryland in the areas of mental health, welfare of children, youth and families is being carried on by nonprofit master contracts, and for-profit contractors are not yet visible in these social and human services arena of the state. This analysis of results, may be benefited by three thoughts of Smith (1999) on impact of contract culture on NGOs/NPOs, viz., (i) the government policy affects services, clientele, programmatic orientation, political involvement of NPOs and their relations with public and for-profit entities, (ii) need to rethink, how we regard the public and private boundaries within social policy, and (iii) contracting and other forms of government financing of NPOs are complicated and raise difficult tradeoffs and dilemmas for NPOs, government administration and legislatures.

Although majority of respondents, denied any effect of contracting on the mission and goals of the NPOs, it was noteworthy to record that one master contract is not allowed to do the direct service delivery work since 1997, making them an arm of administration or a conduit of the state for channelizing funds to vendors. As the master contracts were created mainly by the state government and their functioning is bound by the renewable contracts from time to time, it is high time to rethink about the public- private dichotomy.

It is interesting to note that “the concept of the private nonprofit sector was invented in the later nineteenth century” to get away from blurring of the boundaries between the public and private sectors. “Prior to that time, charitable organizations were considered part of the public sector because they served public objectives” (Salamon 1987). Now again, as the blurring of boundaries are accentuated and NPOs are increasingly being drawn under the contract culture, promoted by the state for public purposes, the nonprofit sector may be again considered as a part of the public sector. In fact, a well-known economist from India, Sengupta (2003) has opined that any group motivated by objectives decided by social choice and not by the aggregate of private benefits, can be regarded as belonging to the public sector. It can operate in a market economy in accordance with its motivations, just as the state does for all practical purposes. Under this understanding, he states “cooperatives or even NGOs and civil society organizations could be regarded as public sector organizations”.

Regarding the predictions of Salamon (2002) results broadly agree and support the hypothesis proposed on key tool dimensions and impacts/consequences of the tool. The study suggests that more multi-tool, multi-disciplinary and multi-

sectoral studies are required to further sharpen the methodological tools to study the complex tools technology of public action. Findings of the study would be useful for many countries, including India, which are embarking on the contract culture in the coming years.

Concluding Comments

The main objective of the study was to test the role of contracting as a tool under the new governance paradigm and to understand the challenges posed by contracting as a tool of the public action. This was achieved by carefully selecting organizations and by appropriately designing questionnaires for the study. Study inter-alia also suggests that there is need for more multi-disciplinary and multi-sectoral studies to understand the complexities involved in the operation of the new tools of public action as well as for refinements in the research methodologies required to capture the emerging new realities of public action. Based on the analysis of the findings, we may draw the following conclusions:

- The hypothesis/predictions of Salamon (2002), about the key tool dimensions and the likely impacts/consequences of the tool, are broadly supported.
- Contracting does not derail NGOs from their stated missions/goals. However, contracting converts CSOs/NPOs/NGOs to convenient conduit for achieving the public purposes of the state and makes it difficult for them to be considered as champions or custodians of the concerns of the community.
- Despite a few constraints NGOs are able carry on their innovative work under contracting.
- The analytical power of the new governance paradigm for providing insights into the complexities of the third party government is demonstrated.
- Increased blurring of boundaries between public, private and third sectors requires a relook at the private-public dichotomy.

From the findings of the study following recommendations emerge:

- Regular training programs for the concerned staff of the government departments as well as for the staff of the contracts/providers should be organized for improving the contract management capacity.
- More empirical multi-tool, multi-disciplinary and multi-sectoral studies under the new governance paradigm should be undertaken to understand and improve the structure and effectiveness of the new tools of public action.
- The master contract model of public service delivery (or a similar recommended model of Mother NGOs) gets support from the study as a successful way for governments to carry forward the public action in

- present situation. Therefore, this model requires further studies and replication in different settings.
- Before contracting as a tool of new governance is adopted by other developing countries, its positive and negative impacts should be well understood. The legal framework, administrative structure and enablement skills have to be in place before promoting contracting in any country.

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