Multiple Co-governance: The Practice and Exploration of Government Leading Mode of Public Welfare Venture Capital

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Abstract. It is necessary to study the form of public venture capital under the government-led model derived from Chinese localization practice appear in local practice as a model more suitable for our society. This article introduces the background of the birth of public venture capital and its basic characteristics. Taking the practice of public welfare venture capital led by the municipal government of H province B as an example, this paper analyzes the positive influence and development dilemma of government led public welfare venture capital model. Finally, it summarizes the trend of government led public welfare venture capital in theory. This study provides some useful and meaningful references and theoretical foundation for the research of on the government leading model of public welfare venture capital in China.

1. Background of the Birth of Public Venture Capital

At the beginning of its birth, public charity has developed and expanded on the soil of non-profit field. Social collection has become the most core channel to link funds and services. Through the way of raising social funds, products and services, it provides public benefit products or services for the vulnerable groups in need of assistance, solves specific social problems with the force of socialization, and maintains a stable social rank order, to achieve social fairness and justice, and ultimately achieve the purpose of public welfare charity. However, until the second half of the last century, on the one hand, the traditional public welfare charities exposed deficiencies such as lack of fund supervision, low efficiency of fund use, and unbalanced demand for products and services; on the other hand, since the middle of the last century, the western economy has been stagnant, and the funds steadily exported to public welfare charities and social welfare have shrunk significantly, showing a weak trend. The society put forward more strict requirements for public welfare projects, and began to pursue the mode of low input and high efficiency. Under the circumstances of social requirements changing, traditional charitable organizations have to seek innovative development approaches, and take project operation and stage evaluation as the starting point to cultivate public welfare projects.

The term "public venture capital" was originally born in the hearing of the tax reform act of the United States Congress in 1969. Rockefeller III first proposed "public venture capital" [1] to express a kind of financing form with certain risks to solve the social chronic disease, but this new idea did not attract widespread attention at that time. Until 1984, the solution of applying the business venture capital model to the charity investment model appeared in the annual report of the Peninsula Community Foundation of the United States, which is widely regarded as the birthplace of the practice of public venture capital. The stage of practice and exploration began from then on, but the theoretical circle did not discuss it. Since then, it was not until 1997 that scholars Christine W. Letts, William Dyer and Allen Grossman published an article entitled "Virtuous Capital: What Foundations Can Learn From Venture Capital" in Harvard Business Review, which started the theoretical discussion of public venture capital [2]. Henceforth, public venture capital has not only been concerned in the academic circle, but also been explored in the practice of public welfare around the world. The concept and practice of public venture capital has also begun to penetrate into China.

In 2001, the concept of public venture capital was introduced into China for the first time, and the
practice of public venture capital in mainland China began in 2006. A number of enterprises and foundations jointly set up a non-profit organization "new public partnership", which specializes in the model concept of venture capital and enterprise management, to help social service institutions with expanded value and potential to carry out capacity-building. In the process of the development of China's public venture capital, the government as a public investor has accounted for a large proportion. In 2009, the first public venture capital activity directly participated by the Chinese government—Shanghai community public venture capital competition. Shanghai Civil Affairs Bureau and Shanghai Pudong non-profit development center (NPI) jointly provided "seed capital" and management and technical support to the public organizations in the initial stage in the form of public venture capital. Subsequently, Ningbo, Dongguan, Suzhou, Kunshan and other local governments have also successively used this model for reference to incubate and support the development of social organizations and promote social organizations to provide better public services. In practice, the combination of public venture capital model and the government's purchase of public services from social organizations has gradually shown good social benefits. In 2014, for the first time, the public venture capital was written into the government document Guidance on Promoting the Healthy Development of Philanthropy: "Local governments and social forces can provide financial support and capacity-building direction for charity organizations in the initial stage through the implementation of public venture capital and other ways", which clarified the development direction of public venture capital from the policy level [3]. Gu Zhaoxi, Deputy Minister of Civil Affairs, published a signed article in Truth Seeking magazine in 2016, which clearly required "support community social organizations to participate in community public affairs and public welfare undertakings through government purchase of services, direct funding, compensation by awards, public welfare venture capital and other ways", affirming the role and status of public welfare venture capital [4]. In what form does public venture investment under the government-led model derived from Chinese localization practice appear in local practice as a model more suitable for our society? What role can it play? From the perspective of multiple co-governance, where is its development direction?

2. Basic Characteristics of Public Venture Capital

From the Roberts Enterprise Development Fund (REDF) established in 1997 to the Gates Foundation established in 2000, the cause of public venture capital in European and American countries has been developing vigorously, and many mature operation cases have emerged. Combined with the burgeoning practice of public venture capital in China, we can summarize its basic characteristics:

First, for the purpose of maximizing social value. Public venture capital itself was born in the pursuit of social evaluation needs of lower investment and higher efficiency of public charity. Its original mission and ultimate goal must respond to this demand. On the premise of stable capital input, it can promote the healthy development of public charity by improving the efficiency of capital use and the ability of capital supervision, so as to effectively solve specific social problems.

Second, multiple parties participate in co-governance. In terms of governance bodies, there are different forms in China and the west. Most western countries take Banks and enterprises as investors to participate in public welfare venture capital, help non-profit organizations undertaking social projects to jointly formulate development strategies, and demonstrate the tripartite symbiosis between investors, non-profit organizations and demand groups. And although in the practice of our country by the government, social organizations, community participation management, but due to the government as the main investors in government purchase services, few investors ask undertake the specific work of organization, more and more concerned that the capital and financial supervision, it is difficult to provide specific value-added services such as strategic planning, management and technical training, construction of evaluation index.

Third, the indispensability of performance evaluation. It is the indispensability of performance evaluation that distinguishes public welfare venture investment from traditional public welfare philanthropy, which also reflects the demand and development opportunities of public welfare
venture investment. Compared with the traditional form, a series of guarantee measures such as feasible strategic planning, scientific and reasonable organizational structure, professional talent team and regular performance evaluation lay the foundation for the efficient operation of public welfare venture capital projects. In addition, the evaluation objects not only refer to the public welfare projects, but also include the performance evaluation of the organization. While paying attention to the completion of the project, it also puts forward requirements for the growth of the organization itself.

Fourth, long-term cooperation. The core of venture philanthropy prefers to invest in and non-traditional concept of donations, short-term cooperation is often hard to output is expected to result, and high expectation on investment performance requires long-term investor focus on the development of nonprofit organizations and the operation of the investment projects, so practice usually is to provide adequate public investors for nonprofits, usually for a period of 3–5 years support and help of charity organizations in the investment before the expiration of financial self-sufficiency [5].

Fifth, exit strategy. Every public venture capital project is based on a certain period of time, which is inevitable when all parties withdraw after completing the project task. After the social goals are achieved, on the one hand, the investors improve the ability of independent survival and development of the investee, and the investment will be terminated; on the other hand, the investee can operate independently or then seek the next investor to expect a higher level of training and upgrading.


After the introduction of public welfare venture investment into mainland China, the system friction and integration with strong countries and weak society resulted in the government-led public welfare venture investment model, which became an important form for the government to purchase public services of social organizations. The government is the buyer, the community social organization is the receiver, and the residents are the consumers. In this way, the government, the community social organization and the community have achieved a benign interaction and win-win situation [6].

The mode of government-led public welfare venture capital is mainly explored and established by Nanjing. In 2012, Nanjing first established the public welfare venture capital association, whose capital sources are mainly distributed in three places: municipal financial funds, charity welfare fund and welfare lottery welfare fund. The fund was supported in a 1:1 ratio, and the public welfare venture capital undertaking with the linkage of the three social organizations as the main carrier was carried out with government funds as the main investment source. Of course, with the support of Shanghai Pudong new area government, Shanghai Pudong non-profit organization development center (NPI) was established with the purpose of "helping China's social innovation and cultivating talents for public welfare entrepreneurship". It has successfully run several NPI competitions, reflecting the concept of government-led public welfare venture capital development.

Thus it can be seen that the government-led public welfare venture mode has experienced more than ten years of development in mainland China, and many new schemes and new ideas have emerged in the localization practice, and new problems have been exposed constantly. Next, this paper will focus on the practice of public welfare venture investment led by the municipal government of H province B as an example to analyze the positive influence and development dilemma of this model.

3.1 The practice of public welfare venture capital

In the practice of public welfare venture capital, B city, H province adopts the government-led mode, cultivating and supporting the development of community social organizations through independent public welfare projects. The project is mainly initiated by the government, with a certain amount of financial funds invested, and trained and supervised by undertaking social institutions for social workers in the community. On this basis, the project is planned and operated
by professional social workers in the community. In dynamic communication, cooperation and interaction among the government, social institutions and communities are formed.

First, the promotion and solicitation. At the beginning, a wide publicity campaign will be launched, and the announcement will be issued by the government sponsor and undertaking agencies. The community should actively mobilize all kinds of social organizations and community social organizations to participate actively. Then, the application training will be conducted. The senior experts of the social institution will conduct training on the concept, goal, project design, project operation, financial management, supervision and evaluation of the organizations and teams that are willing to apply for the projects, and guide the social organizations in project design and application. Social organizations that are willing to apply for projects shall, in accordance with the program requirements, design projects based on the needs of the selected community residents and their own advantageous resources, form project applications and submit them in accordance with the specified dates.

Second, project review. After the project solicitation is completed, the undertaking unit shall conduct a preliminary examination on the contents of the project and the qualifications of the applicant, and publicize the results. After the preliminary examination and publicity, the organizer shall organize representatives of the organizer, industry experts, financial experts and industry senior personage to evaluate the public welfare projects that meet the requirements of the preliminary examination, select the shortlisted projects and publicize them.

Third, project implementation. This stage is divided into three parts: organization of contract signing, supervision of project implementation and project evaluation. The relevant government departments shall allocate funds to the contractor, and the contractor shall organize the project implementation subject to sign a contract to specify the time, place, fund, payment method, rights and responsibilities of both parties, etc. The undertaking unit shall conduct supervision, preliminary testing and mid-term and final evaluation of the project on a regular basis. The supporting unit shall provide corresponding support and supervision during the implementation of the project. The organizer shall evaluate the project and submit the evaluation report to the government sponsor.

Fourth, project summary. After the end of the project service cycle, each project implementation subject shall submit the summary report and media publicity report. Finally, relevant government departments will organize relevant parties to make a comprehensive summary of venture capital activities and make improvements.

3.2 The function of local practice of public welfare venture investment

Based on the current situation of public welfare venture capital investment led by the municipal government of B city, H province, we can see that public welfare venture capital investment is growing and playing a significant role.

First, for government, relevant government departments have paid more attention to community social organizations. Before the implementation of the project, the number of community social organizations in B city is small, the category is single, the service activities are few and there is no clear service plan. Since the implementation of the project, the Urban Office of B city has attached great importance to the project and taken the lead in attaching importance to the development of community social organizations, formulated the registration and filing system of community social organizations, and issued a notice requiring all communities to actively cultivate all kinds of community social organizations. At the same time, after nearly two months of community social organization service activities, communities that have not yet incubated and cultivated community social organizations have expressed their willingness to incubate community social organizations and participate in public venture capital activities.

Second, as to community social organizations, at the beginning, the project planning ability of community social organizations has been significantly improved. Through a series of ways, such as training, guidance and project approval, the project planning ability of community social organizations has been significantly enhanced. Compared with the community social organizations in other regions that have not yet accepted the "public welfare venture capital" project, the shortlisted organizations pay more attention to the care and protection of key personnel. The service
content of the project involves the improvement of the ability of children and adolescents, the care and assistance of the elderly in need, the establishment of the elderly mutual support system, etc., which also makes the community service more accurate. Then, the organization and mobilization capacity of community social organizations has been significantly enhanced. With the support of the "two committees", community social organizations have been able to effectively mobilize community residents to actively participate in community service activities. At the same time, in the process of activities, we can mobilize other community residents to join in the service activities as "volunteers", and mobilize the enthusiasm of more residents to participate in community service. Next, the planning ability and standardization of community social organization activities have been improved. After a series of training, supervision and monitoring, community social organizations began to pay attention to the effective connection of activity objectives and service contents in the aspect of activity planning, but still need to strengthen the ability of copywriting; at the same time, all activities were carried out in accordance with the normative requirements, writing activity plans, process records and summary reports, which took a step towards the direction of standardization.

Last, for those social institutions, improve the capacity-building of social institutions and promote sustainable development. It is not only a good wish and original intention to do a good job of public welfare, but also the most indispensable factor to realize the purpose of public welfare. The long-term development of social institutions can be promoted by the integration of positioning, knowledge, capital, talents and trust.

### 3.3 Problems in local practice of public venture capital

First, the public venture capital project started late and made slow progress. Although the public venture capital is in full swing in some economically developed areas of China, it seems that there is still a lack of experience in the practice of H Province. In the project design stage, it fails to fully consider all factors to make reasonable arrangements, leading to the phenomenon that the project planning is greatly adjusted in the operation process and the overall completion is greatly reduced.

Second, the institutions undertaking projects have relatively insufficient experience in public welfare venture capital. In the practice analysis, it is found that many projects have not established the mechanism of feedback and complaint handling, risk estimation and emergency plan, and the operation guarantee measures are deficient, which makes it difficult to ensure that the project achieves the expected target and responds to the buyer's demand. In addition, weak results have been achieved in terms of resource integration, resource linkage and integration have not been carried out basically, and major forces other than the government have not been effectively exerted to participate in public welfare venture capital.

Third, insufficient combination of advantages of public welfare venture capital projects and undertaking institutions. B city has been set up some characteristic to undertake social work agency established by institutions such as the veterans, but most undertake social organizations of public service scope of venture capital project or stay on elderly services, children of more general services, the harmonious community construction services, have failed to undertake institutional advantages into full play.

Fourth, most social organizations lack a clear and standardized service effect evaluation mechanism. Various community social organizations have different project schedules and levels, so they fail to follow the overall implementation plan of the project and make reasonable monthly work plans with low monitoring intensity. In the process of supervision, different community social organizations cannot be fully combined to carry out targeted supervision. Project evaluation has been carried out for a few times, which fails to play an active role in project construction. The publicity channel of the project is too single, ignoring the publicity effect of the third party media.

Fifth, most of the public venture capital projects only respond to the buyer's part of the requirements, but not fully respond to other requirements (such as incubation community organizations). Most of the public venture capital projects focus on how to better serve the specific population and pay more attention to the quality and quantity of service, but they do not actively carry out the linkage of the three communities, forming a dynamic cooperation mechanism.

First, under the premise of ensuring the quality of service, each public venture capital project should speed up the progress of the project. Each undertaking agency shall formulate a more clear project schedule, input necessary human and material resources according to the project requirements, and carry out services in strict accordance with the project schedule. Each district government shall further increase its support for the project, provide necessary funds, special places, facilities and equipment for the project in a timely manner, and help the project coordinate various relationships.

Second, strengthen the training and supervision on the public welfare venture capital of each undertaking project organization. For the undertaking institutions, due to the different service objects of public welfare projects, the nature of the projects is different. For differentiated public welfare projects, in addition to regular financial supervision, it is also necessary to establish operation supervision, achievement supervision and evaluation mechanisms for individual projects, timely check and evaluate the effect of public welfare investment, and entrust or establish professional public welfare organization supervision and evaluation institutions, gradually establish a supervision and evaluation system for public organizations, and regularly supervise and assess the objective clarity and strategy quality, leader and team quality, operation situation and project execution, project execution effect and financial situation of public organizations, based on which the rating report of public organizations will be issued regularly. In addition, each undertaking institution should also strengthen supervision to ensure the professionalism of services. For the government, public venture capital is a continuum. The ability training and project purchase in the early stage are very important, and the supervision, evaluation and exit mechanism in the later stage are more important. In the operation of the project, we found that it is an indisputable fact that the capacity of the undertaking organization of the public venture capital project needs to be improved, but it is far from enough to rely on just a few days of training. It is suggested that the Municipal Civil Affairs Bureau should organize unified training on the development and implementation of public venture capital projects. Experts and scholars in theory and practice in the field of public venture capital can be invited to train each undertaking institution, introduce the theory and practical experience of public venture capital, and improve the capacity of carrying out and implementing public venture capital projects of each undertaking institution.

Third, each undertaking institution should further give play to its own advantages and combine it with public welfare venture capital projects. For the undertaking institutions, the institutions that undertake public venture capital projects have their own unique advantages. Some institutions have been working for the old for many years; some institutions have rich experience in incubating community organizations; some institutions are good at serving special groups, etc., and these institutions should further play their own advantages and closely integrate them with public venture capital projects to achieve twice the result with half the effort. For the government, in the new situation of profound changes in the management of social services at the grass-roots level, the basic role of community, social organizations and social work talents is increasingly prominent. The public welfare venture capital launched by the government not only improves the professional social work ability of community cadres, enables social workers to provide more professional services, more directly serves the masses, but also incubates and cultivates a large number of social organizations in communities, these organizations become an important carrier to undertake government public services. Again, under the background, the government can invest more funds and technical support in the cause of public venture capital, build a practice platform for public venture capital, and deepen the "three social linkage" mechanism. The social organizations of the community service public welfare venture capital project are organically linked to serve the community masses and meet the needs of the residents, give full play to the overall integration of the community, the role of the platform carrier, the role of the social workers' professional services and self-help, and the role of the community organizations' professional support and connection with the masses. During the implementation of the public welfare venture capital project, we will promote the formation of the working mode of "full-time social workers + professional social
organizations" and "full-time social workers + volunteer volunteers", promote the formation of a better cooperative relationship among community full-time social workers, social organizations and professional social workers, jointly promote the sound operation of the project, and further enrich the connotation of the "three social linkage" working mechanism.

Fourth, the services provided by each undertaking institution for its social and community organizations should be more specific and standardized. For the undertaking institutions, an important goal of public venture capital projects is to actively incubate all kinds of social organizations, improve these organizations, and enhance the organizational governance ability and professional level of these organizations. Each undertaking institution should further provide specific and standardized incubation services for the social and community organizations it serves, improve the governance ability and professional level of these organizations, and make them truly grow. From the perspective of talent team building, we should improve the quality, optimize the structure, select organizational leaders with rich experience in public welfare organization management and excellent resource integration ability, and lead organization members with rich background and enthusiasm to participate in public welfare undertakings to achieve organizational goals through practice and learning; from the perspective of operation management, through a series of organizational structures to ensure ethical integrity And check and balance mechanism (such as reasonable council governance structure, transparent information disclosure channels, professional and detailed financial system and mature personnel system, etc.) to ensure the standardization and efficiency of organization operation. For the government, the establishment, planning and implementation team of social and community service public welfare venture capital project are all from the people, which determines that the project is more in line with the needs of the residents, can be better used as a supplement for the government to provide community services other than public services, and expand the connotation of community services more broadly. Therefore, the government should also promote the concretization and standardization of services under public venture capital projects. By issuing local standards, we can regulate social organizations and community organizations' public venture capital procedures, clarify the organization and management process of public venture capital projects, reasonably introduce expert review links, and employ local institutions of higher learning, social science research institutions, public organizations, auditing, law and other professional institutions. Scholars and experts formed a project review committee to strictly control the project's necessity, innovation, replicability and application amount.

Fifth, each undertaking institution should establish a scientific and reasonable evaluation mechanism. For the acceptors, public venture capital is a continuum. The ability training and project purchase in the early stage are very important, and the supervision, evaluation and exit mechanism in the later stage are more important. The service objects of public welfare projects are different, and the nature of projects is different. For differentiated public welfare projects, in addition to regular financial supervision, each undertaking institution shall establish a mechanism for operation supervision, achievement supervision and evaluation of individual projects, timely inspect and evaluate the service effect of projects, and ensure the professionalism of services. First of all, the evaluation method should be scientific and objective to avoid being too subjective; second, the evaluators should be diverse, including at least institutional social workers, service objects, service purchasers and supervisors; finally, the evaluation content should realize the combination of process evaluation and effect evaluation, including target clarity and strategy quality, leader and team quality, operation situation and project execution, project execution Supervise and assess the bank's effectiveness and financial status, and issue the rating report of the project on a regular basis. In addition, each undertaking institution should pay attention to the conflict between the immediate effect and the long-term social benefits when carrying out the project evaluation. Especially in some basic and instructive service projects, the impact is often potential, lasting and even appears after the end of the project for some time. However, the evaluation process usually has very specific quantitative indicators. If the quantitative indicators are overemphasized in the evaluation process, it is easy to form a tendency towards projects that are easy to operate and can
have an immediate effect, or carry out or support some projects selectively because of over dependence on the evaluation indicators. For the government, in the information age, public welfare has social credibility only when it is transparent. Especially in the public venture capital projects with the government as the main investor, there are many aspects involved, and the government has no time to take into account the professional evaluation work of the project. In addition, in the process of project approval review, normal monitoring, mid-term evaluation and final project evaluation, although there are declaration, monitoring form and evaluation form, the form indicators are complete and widely covered, but most of them are qualitative measurement indicators, and the targets are used. It is a broad and vague standard, such as the wide range of social needs, the urgency of practical needs, the public welfare of target positioning, the innovation of project concept, the scientificity of project planning, and the professionalism of the implementation subject. The judgment factors of the assessors’ supervisors have a great influence on the evaluation results, which is related to the fact that the administrative force has become an important factor affecting the evaluation. Therefore, the competent government departments may consider entrusting a professional third-party public welfare organization evaluation agency to investigate, collect and analyze the operation information of public venture capital projects and establish a set of evaluation standards, and regularly publish the evaluation results to the public, so as to promote the public’s attention and participation in public welfare undertakings.

Sixth, actively carry out publicity activities of public welfare venture capital projects. For the undertaking institutions, in the practice of public welfare venture capital, organized and effective publicity activities are carried out according to the implementation and achievements of the project, which can make more public and enterprises understand the project, benefit more public and make more enterprises willing to help. As the main body of undertaking public venture capital projects, the undertaking institution shall actively undertake the publicity task of carrying out public venture capital projects, and expand the influence of public venture capital by means of network news, social media, public app and network platform. For the government, the public venture capital project is discussed warmly among scholars and experts, but it is a relatively new concept for community residents. Public welfare projects are generated by the needs of community residents and run by the participation of community residents. The planning of public welfare projects should consider the participation of residents, not only to meet the needs of residents, but also the eyes of residents. Obviously, the in-depth development of public venture capital cannot be separated from the wide attention and enthusiastic support of the whole society. The government should actively carry out publicity activities to promote and hold various kinds of public venture capital competitions, selection activities, etc., build a platform for cooperation and exchange between the public venture capital undertaking agencies, the public, foundations, etc., and jointly form a good atmosphere for the whole society to pay attention to and participate in the development of venture capital projects creates a good external environment.

References


