

The Development of Civil Society in China

By Jenna Nicholas

Historical Perspective of Social Organizations In China

Totalitarianism in the Communist state of China, under Mao, led to the breaking down of all vertical links between individuals, including the family. Therefore by the end of the Cultural Revolution the degree of atomization and distrust was extremely high. The Brookings Institute suggests that, "From 1948-78, when China functioned under a planned economy system, social welfare was the responsibility of the government, leaving no role for NGOs.¹"

Under Deng Xiaoping's leadership from 1978, there were many reforms towards capitalism whilst maintaining communist style rhetoric. This led to the abandonment of the support systems which most of the poor, especially rural communities, depended on. For example the Danwei/work unit provided communities with housing, child-care, schools, clinics, shops, services, etc. whilst they worked totally under the control of state run enterprises. By the year 2000 the Danwei work system had virtually ceased, leaving millions without any security.

As a response to this, many social sector organizations came into being. One of the largest contingents of social sector organizations in China are the government operated non-governmental organizations (GONGOs).² According to the Hauser Center, many of these GONGOs are able to gain an edge over other non-governmental organizations through a de facto unfair competition.³ Chen Jie suggests that, "One major category of GONGO is born of traditional Leninist mass organizations (人民团体). There are eight of them which, including the All China Youth League, All China Women's Federation, and the All China Federation of Trade Unions. The government is trying to gradually restructure the function of these mass organizations away from their original role as Communist Party overseers of particular constituencies, towards one more of service facilitation and provision. As a result, satellite agencies (associations and foundations) have been created.⁴" According to Chen Jie, "The fear of bottom-up social mobilization as well as practical needs have led the government to create a semi-official NGO sector, a policy practiced with increasing enthusiasm from the 1990s. Government and Communist Party departments at various levels have been setting up foundations and other organizations to advance charitable, research, information and policy objectives.⁵" Spire suggests that the GONGOs are much more likely to attract foreign funding than grassroots NGOs. This is because many of the grassroots NGOs, due to difficulties with registration, often find it difficult to achieve legal status and are sometimes working on radical issues. Therefore foreign funders often prefer to

¹ Zhang Ye, Brookings Institute, "*China's Emerging Civil Society*,"
http://www.brookings.edu/papers/2003/08china_je.aspx

² Zi Zhongyun, "*Crossing the New Threshold*."

³ Hauser Center, "*Shenzhen Government Delegates Some of Its Functions to Social Organizations*,"
<http://hausercenter.org/chinanpo/2009/11/shenzhen-government-delegates-some-of-its-functions-to-social-organizations/>

⁴ Chen Jie, "*The NGO Community in China*"

⁵ Chen Jie, "*The NGO Community in China*"

work with professional and hierarchical grantees within existing institutional structures. As is seen from the table below, the majority of US foundation giving has bypassed grassroots NGOs. From 2002 to 2009, academic, government and GONGO grants together counted for 86% of total grants. Whereas grassroots NGOs received 5.61% of the total. Furthermore, US donors seek out people who share a similar vision and share similar goals.

Grants Made to China from US Grant-Makers (2002-2009)

Grantee Type	Grant Count	Grant Monies	% of Total Grant Monies
Academic	1,299	\$194,936,626	44.01%
Government	308	\$112,430,506	25.38%
GONGO	539	\$73,611,835	16.62%
Grassroots	188	\$24,862,257	5.61%
International NGO (INGO)	63	\$23,437,939	5.29%
Uncertain	70	\$5,135,531	1.16%
Corporate	60	\$4,563,538	1.03%
SOE	40	\$2,808,317	0.63%
Intergovernmental Org. (UN)	5	\$631,000	0.14%
Mass Organization	9	\$490,800	0.11%
Religious	2	\$17,000	<.01%
TOTAL	2,583	\$442,925,349	100.00%

Source: Foundation Center and Anthony J. Spires

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NGOs (Non Governmental Organizations)

There is a difficulty in the conception of NGOs in China because of the fear that they could be seen as anti-government. Therefore they are referred to as ‘people’s sphere organizations’.⁷ Any group that wants to establish a social organization has to register through The Ministry of Civil Affairs and the relevant affiliated supervisory branch oversees them. However, this can be an extremely difficult process in terms of application to the institution and being monitored by it. They are also closed down if they are seen as a threat. Anthony Spires suggests that the requirement to have a supervisory agency can be viewed as an enervating control mechanism. However, the former head of the Ford Foundation’s Beijing office and political scientist, Tony Saich suggests that registered NGOs can operate within the constraints of the

⁶ <http://yaleglobal.yale.edu/content/us-foundations-boost-chinese-government-not-ngos>

For more information on US donor giving, see **Appendix 10**

⁷ Anthony J. Spires, “Contingent Symbiosis and Civil Society in an Authoritarian State: Understanding the Survival of China’s Grassroots NGOs” http://www.jstor.org/stable/10.1086/660741#rid_rf1

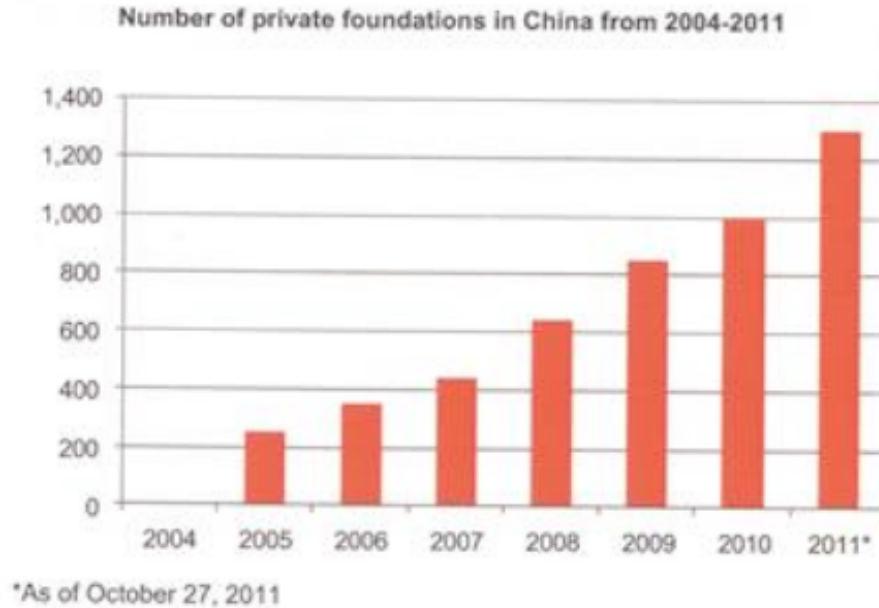
regulations in a fairly efficacious, albeit not completely independent, manner. Saich, as others, argues that such organizations benefit from the legitimacy and protection extended by their sponsoring agency and may also be granted greater access to decision makers as new policies relevant to the field of their activities are formulated.⁸ Around 2002 was the time, according to Shue, when shehuihua, ‘societalization’, of bringing society back into public service delivery, was trumpeted as an important reformist initiative that would help to relieve the heavy welfare burdens on the state and mobilize otherwise dormant social forces and resources for good causes. The government also wanted to ensure that they could monitor civil society and therefore ensures that it does not develop as an autonomous unit. Xiaomin Yu, from Beijing Normal University’s School of Development and Public Policy, suggested in an interview that the Chinese government want to develop a strong third sector as service providers rather than as a social movement. The Hauser Center suggests that currently the government sees itself as the ‘sponsor’ of all social organizations. Instead, it seems as though it would be more advantageous for the government to see social sector organizations as partners and establish mutual respect with them. Ma Qiusha suggests that despite the large role of government in NGOs, NGOs are still the mechanism through which people participate in public affairs, develop their personal interests and get their voices heard.⁹

There is a significant distinction in China between private and public foundations. Foundations, in particular public foundations traditionally act as operating entities rather than grant-making foundations supporting NGOs. However, in recent years more and more public foundations have taken on the role of grant making. Private foundations are independent but are often associated with a company e.g. Vantone, Narada and Soho. Li Jing, Secretary General and Executive Director of the Vantone Foundation, suggests that there is an increasing number of public foundations which are beginning to follow the models set by private foundations in innovation and grant-making with the encouragement and support of the government. Examples of this are the China Youth Development Foundation and the China Poverty Alleviation Fund, which have recently been given greater autonomy. According to statistics from the China Foundation Center, in 2011, China has 1,284 non-public foundations and 1,181 public foundations as is shown in the graph below.¹⁰ Even foundations that are trying to follow a grant-making model, find it difficult to develop their capacity to fundraise. Currently, the non-public foundations do not have the legal right to fundraise from the general public; instead they can only fundraise from specific individuals. When private foundations give grants, they want to see tangible results showing how their money has been used. When the NGOs do not produce tangible results, distrust arises which raises the whole issue of transparency and accountability. The lack of this leads to distrust, which in turn leads to less assistance.

⁸ Anthony J. Spires, “*Contingent Symbiosis and Civil Society in an Authoritarian State: Understanding the Survival of China’s Grassroots NGOs*”
http://www.jstor.org/stable/10.1086/660741#rid_rf1

⁹ Congressional-Executive Commission on China, “*To serve the people: NGOs and the development of civil society in China.*” http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_house_hearings&docid=f:86861.pdf

¹⁰ Cheng Yingqi, “*Scandals put a big dent in donations*” http://www.chinadaily.com.cn/china/2011-10/19/content_13928884.htm



The Growth of Civil Society – Grassroots

The last decade has seen the emergence of a large number of grassroots organizations. These groups are formed by Chinese citizens, some registered as businesses and some not registered at all. Professor Wang Ming of the Tshinghua University NGO Research Centre suggests that despite the fact that the official statistics from the Ministry of Civil Affairs in 2010 suggest that there are 400,000 social sector organizations; it seems as though the unofficial figure of 3-4 million is much closer to reality. This research is based on rigorously going through old periodicals to find groups that act as NGOs but have not officially registered.¹¹ The advantages of them registering is that they have the legal protection of the state and they are not acting illegally. However the disadvantages of trying to register are that often the registration requirements are too onerous and many groups prefer to avoid contact with the authorities.

They perform an important function in society, engaged often in providing essential social services to local communities. However, the government is often fearful of fully empowering organizations to take responsibility for social causes for fear they will not be able to control them. In an interview with Jianyu, a Tshinghua Professor, he said, “The Chinese government is cautious about supporting civil society because there is fear that civil society organizations might play an anti-government role. ...Mutual trust develops over time through social capital and organizations sharing resources amongst themselves.¹²” Therefore, unless they cause a social disturbance or incite violence, by and large the government leaves them alone. Spires quotes one grassroots activist as saying: “In China, if the government doesn’t say ‘no,’ you can experiment and understand their failure to say ‘no’ to mean

¹¹ Statistics from Chinese Ministry of Civil Affairs, Bureau of Management of Nongovernmental organizations, <http://www.chinanpo.gov.cn/web/listTitle.do?dictionid=2201>

¹² This interview took place between April and August, 2011

‘yes,’ or you can say ‘I thought since you didn’t say no, I could do this.’ That’s the way things work here. So we do take some risks here in our work.¹³” One supportive government official explains the suspicion from the government’s perspective as follows, “Not enough government officials know anything about civil society. Some of them are very afraid of it, wondering what it is and what political motives people have...But I think that the government needs to understand that civil society in China today is not political. These NGOs, the grassroots NGOs who are mostly registered as businesses, they’re outside of the civil affairs system, but they’re not looking to do anything political. They’re trying to help alleviate poverty or provide educational assistance or help people with diseases. ... This is something the government needs to understand.¹⁴”

There is additionally an incentive system for local government officials in supporting grassroots initiatives. The officials are judged based on GDP so decisions they make are often based on short-term economic growth rather than long-term social benefit. Officials are also judged based on the lack of social unrest, disruption and protests that take place in their area of jurisdiction. Therefore, the existence of both official and unregistered social organizations that are addressing important social challenges can be seen as useful to local officials. The officials are able to take credit for positive social activities but attempt to hide unfavorable or unsuccessful ones. In like manner, government-NGO conflicts do not necessarily represent central government directives but rather clashes of interest between local NGO activities and local political and economic interests.

Some social sector organizations, however, make their protests louder. Spires comments that in more candid moments, many civil society spokespeople present themselves as critical thinkers, patriotic progressives who dare to pursue the promises of socialism that the government has seemingly abandoned in the name of economic reform. With the Internet penetration into more households and daily lives, the information flow has increased exponentially in recent years. It has become harder for social tensions to be ignored or suppressed by powerful interests or some local governments. Civil society groups allow the disadvantaged to be heard. Some take it to the next step.

Meeting Social Demand

It is assumed that the Chinese government is able to act uniformly to ensure control over the various provinces and social service organizations within them, with a top-down directive. However in today’s China the central government in Beijing enjoys much less control over these provinces and receives far less feedback. It relies heavily on the social sector to meet social needs and, as incentives are given to local and provincial level authorities based on the economic performance in their areas of control, societal development often takes second place. Much of the

¹³ Anthony Spires, “*Contingent Symbiosis and Civil Society in an Authoritarian State: Understanding the Survival of China’s Grassroots NGOs*”

¹⁴ Anthony Spires, “*Contingent Symbiosis and Civil Society in an Authoritarian State: Understanding the Survival of China’s Grassroots NGOs*”

community-based social service is government driven but relies on civil society participation, as the government cannot take all of the financial responsibility.

For a number of years the government has referred to ‘building a harmonious society’. In the National People’s Congress in 2005 and in the recent 12th 5-year plan, it refers to ‘inclusiveness and improving people’s livelihoods by way of the promotion of happiness, sustainability and addressing economic disparity’. As much as this may be rhetoric, it acknowledges the fact that there are problems with the provision of social services. Carol Hamrin suggests that, “To NGOs on the receiving end of policy, the (focus on building a harmonious society) appears to be a cover for cutbacks in state funding, without adequate tax incentives for donors or protection for genuine autonomy in decision-making. This problem is aggravated by the fact that there is little communication and coordination amongst the NGOs. Furthermore, there is often a disconnect between the NGOs and other sectors of society.¹⁵” The UNDP has been working with the government on public-private partnerships. These partnerships are often useful because they help to keep each organization accountable.¹⁶

In a report in Caixin newspaper on April 6th, 2012 East China Normal University professor Xu Jilin argues it is no longer a question of whether social organizations will reform, but when the next step will be made. He is further quoted as commenting: “If there are no grassroots-level reforms, top-down reforms will be rendered ineffectual¹⁷”. Xu Jilin further argues that, “in the absence of vibrant social organizations, harmful activities fill a vacuum of services catering to social needs”. For example, the emergence of criminal gangs.

Premier Wen Jiabao, in a report released on March 19th, 2012, has pushed for further “social innovation” and for “redefining the relationships among the government, citizens, and social organizations¹⁸”. The Chinese Ministry of Civil Affairs has recognized the need for a supportive legislative framework for social sector organizations. On July 4, 2011, Li Liguo, the head of the Ministry of Civil Affairs, announced that charity, social welfare, and social service organizations would be permitted to register directly at local civil affairs agencies. This initiative was spearheaded by Guangdong province’s recent reforms relaxing the registration requirements for social organizations. These reforms were followed up with The Standing Committee of the Guangzhou Municipality People’s Congress passing a law entitled, “Guangzhou Municipality’s Fundraising Regulations.” This enabled more social organizations and public institutions to expand their fundraising activities.¹⁹ It is hoped that this will set the pace for reforms across the country. The greatest hope and aspiration of Chinese civil society organizations is that they can bridge the ever-widening gap between the rich and poor. Lifting people out of poverty could also

¹⁵ Carol Lee Hamrin, “*China’s social capital deficit*”

<http://www.globalchinacenter.org/analysis/chinese-society-politics/chinas-social-capital-deficit.php>

¹⁶UNDP, Public Private Partnerships,

<http://www.undp.org.cn/modules.php?op=modload&name=News&sid=12&file=article&pageid=3>

¹⁷ Wang Su, “*In the Field of Social Organizations, a Constant Need for Reforms*”

<http://english.caixin.com/2012-04-06/100376927.html>

¹⁸ “*Social media give voice to the disadvantaged*”

http://www.herald.co.zw/index.php?option=com_content&view=article&id=37075:social-media-give-voice-to-the-disadvantaged&catid=45:international-news&Itemid=137

¹⁹ China Development Brief, “*Guangzhou ‘frees’ fundraisers*”
<http://www.chinadevelopmentbrief.cn/?p=603>

have marked advantages for China's domestic markets, especially now that China can no longer depend on sustained growth in exports.

The jury is still out on whether the new administration will implement the reform measures outlined by Premier Wen Jiabao in his last public speech, but few doubt the need for such measures. It is worth speculating that if the government put as much effort into creating a 'harmonious society' as it has done in achieving the miraculous economic growth China has witnessed, then the world may look to China as the new paradigm of world order.

The Issue of Transparency and Accountability



As China positions itself more and more on the central stage as a world economic power, it is challenged both internally and externally on the need to be both accountable and transparent. Internally, companies, especially those set up to supply the West with branded labels made in China, are under scrutiny to incorporate more responsible business practice and CSR (corporate social responsibility) into their working environments; Chinese workers are equally demanding better working conditions and fair wages. On the international scene, there is pressure on China to comply with international norms on disclosure for company listings on the stock markets and to allow the Chinese currency to float on international currency exchanges. The more powerful China gets, the more it will be subject to intense scrutiny about its trading practices. China has a long way to go to meet these demands, much of which is dependent on an evolving rule of law; the assumption that China can enjoy the economic advantages of the West without accepting the substantive processes that create them, is proving to be a false one. The CCP is being forced to take account of these issues of accountability to maintain power and yet push forward its agenda of balancing its domestic and foreign agenda of reform and economic stability.

Whilst China is coming to terms with Western demands for transparency when dealing with international norms of trade, it has not progressed very far with labor rights in the workplace. In the West workers rights are protected by labor unions for better working conditions, minimum wage, security, etc. Although laws protecting

the workers rights do exist in China under the ‘All-China Federation of Trade Unions’, there is very little effort make to enforce any laws made.

Philanthropy

In the aftermath of the 2008 Wenchuan Earthquake in Sichuan Province, China, which took the lives of around 90,000 people, injured approximately 363,000, destroyed more than 15 million homes, leaving 10 million homeless and 1.5 million displaced, the authorities felt unprepared and helpless to deal with such devastation. The damage was estimated at \$20 billion. NGOs, including foreign NGOs, stepped in to help and with the aid of social media, the response from civil society was unprecedented. This earthquake marked the first time there has ever been such a coordinated civic response to a societal problem and many people say it marked the beginning of philanthropy in China. Certainly philanthropic donations increased from 2008 – 2010 and the government relaxed tentatively its fierce opposition to civil engagement.

Clare Pearson, Corporate Social Responsibility Manager, DLA Piper UK LLP, argued in an interview that a huge inspiration for the elite class in China to give back is that they themselves have come from very impoverished conditions and have witnessed a huge transformation in their own lifetimes. “There are 2.7 million high net worth individuals (HNWIs) in China with personal assets of more than 6 million Chinese yuan (equivalent to US\$950,000) and 63,500 ultra-high net worth individuals(UHNWIs) with assets of more than 100 million Chinese yuan (US\$15.8 million).²⁰” Despite the different motivations for giving, the lack of transparency and accountability often acts as an impediment to giving.

Impact Investing

The Impact Investing space is an emergent sector in China. There are a number of impact investing funds that are currently operating in China. For example, LGT Venture Philanthropy, which is the Lichtenstein’s princely family’s impact investing branch, has a presence in China with most of their investments being \$1 million or more. There are a number of smaller funds such as the Lanshan social investment fund, the Yu fund, started by Robin Zhang of Venture Avenue and Transist, started by the Schoenfeld Foundation to support technology start ups. Although it is early days, these organizations have the potential to really drive forward impact investing in China.

A Selection of Significant Social Sector Organizations

1) China Foundation Center (CFC)

The China Foundation Center’s²¹ mission is to bring transparency to philanthropic markets through access to the highest quality data, news, and analytics

²⁰ Industrial Bank and Hurun Report, “*The Chinese Luxury Consumer White Paper 2012*”
<http://www.hurun.net/usen/NewsShow.aspx?nid=188>

²¹ China Foundation Center, <http://en.foundationcenter.org.cn/index.html>

to enhance a bigger social impact of philanthropy. In 2009, a delegation of several Chinese Private Foundations visited the US Foundation Center in New York. The participants on this trip were greatly inspired by the US Foundation Center and this led to the formation of the China Foundation Center in 2010. The US Foundation Center uses data, analysis, and training to connect people who want to effect social change to the resources they need to succeed. Their aim is to inform public discourse around philanthropy and encourage a broad understanding of the role that non-profits can play.

The China Foundation Center's executive team includes Cheng Gang, Geng Hesun and Tao Ze who all have experience working in the philanthropic sector. CFC received initial seed funding from the Ford Foundation and has recently received further funding from LGT Venture Philanthropy. CFC uses a network map system designed and developed to provide easily accessible information about foundations. Foundations can voluntarily upload information regarding their annual giving and annual expenditure, which can then be viewed by the general public. CFC is currently working on developing a transparency index and rating system that would be similar to Morningstar or Nasdaq for social sector organizations. They are also working on initiatives to promote more professionalism in the social sector through training programs for foundation leaders.

2) China Charity Donation Information Center (CCDIC)

Established in 2008, and led by Peng Jianmei, who has extensive experience working in the media, business and the philanthropy sector in China, the China Charity Donation and Information Center (CCDIC) is a non-profit organization supported by, and working closely with, the Ministry of Civil Affairs in China. Its mission is to promote effectiveness and transparency of Chinese civil society organizations (CSOs) and of the sector as a whole.

In 2011, in response to growing transparency problems, the CCDIC published a report on the state of the charity sector transparency in China. The CCDIC reviewed the disclosure practices of 99 nonprofits but received feedback from only 65 of them. These organizations included non-public offerings and local non-governmental organizations. Of the 65, 42 percent of them claimed to have no guidelines on information disclosure, and 37 percent said no staff was specially designated for carrying out related work. Furthermore, the report found that, 90 percent of the public is dissatisfied with how much information is being disclosed and the way it is made public. Among the 99 organizations, 20 percent of them did not have their own websites and, for those with websites, 43 percent were not updated regularly or users found them to be unhelpful when searching for information. Only 10 percent of the public, also surveyed in this survey, expressed that they were partly or very satisfied with the state of information disclosure. According to the Global Times, "90 percent of interviewees felt that they were not given enough information about the use of donations, the result of sponsored projects, and the final destination of their money."²² CCDIC's research team believes that a lack of relevant laws and regulations, standards for information disclosure and the training of professional personnel were the main reasons for poor performance in transparency for domestic

²² Global Times, "*Trust in charities waning*"
<http://china.globaltimes.cn/society/2011-04/646502.html>

charitable organizations. In the charity field of China, information disclosure has both mandatory and voluntary aspects. A related government department supervises mandatory disclosure but there are differences in the responsibilities between local and central government and this makes it difficult for The Ministry of Civil Affairs (MOCA) to oversee charities that lack registration records.²³

3) Vantone Foundation

The Vantone Foundation was established in April 2008 as a non-public foundation registered with the Beijing Municipal Civil Administration. The Foundation aims to promote environmental protection and energy conservation, and to promote harmony between man and nature. Its main business endeavor is to promote the construction of ecological communities. The Foundation aims to become an important driving force for the construction of urban ecological communities in China.²⁴ The Vantone Foundation aims to build these ecological communities by developing local partners and a strong feedback mechanism. This feedback mechanism helps to ensure accountability and transparency. The foundation is run using a business model and therefore has a strong set of metrics. They believe in attracting strong talent and professionalism to the social sector and therefore pay their employees a lot more than most other foundations. The Vantone Foundation is one of the few private, grant-making foundations in China. Their vision is to generate positive social change through developing the capacity of NGOs to influence the environment around them. They have recognized that if they want these organizations to grow and prosper, it is essential that they have a strong level of accountability between themselves and their NGO partners to ensure that money is being used as intended. Mr. Feng Lun, the chairman of Vantone Holdings, has great hopes for the Vantone Foundation and the development of the philanthropic sector more generally in China. Therefore, they place great emphasis on developing innovative models. They have a very strong internal mechanism of accountability and transparency whereby projects are regularly presented to the board and communicated to their partners. Furthermore, the Vantone Foundation often runs capacity-building sessions with their community leaders to ensure efficient use of funds.

4) The Narada Foundation

The Narada Foundation is a private foundation, which acts as a supplier of funds and resources in the public welfare industry chain. The Narada Foundation make grants and play the role of “seed money” promoting the development of excellent public welfare projects and organizations and fostering social innovation conducted by non-government organization. They mainly focus on the problem of the education for migrant children, which is a huge social problem in China. The Narada Foundation selects recipient projects through project bidding and regular application. New Citizen Plan and Non-Profit Incubator Project are two projects that have been launched by the Narada Foundation. The New Citizen Plan makes grants for non-

²³ Business for Social Responsibility, “Catalyzing Social Investment in China” http://ciyuan.bsr.org/data/resources/Catalyzing_Social_Investment_in_China_BSR_CiYuan_November_2011.pdf

²⁴ Vantone Foundation, <http://www.vantone.net/en/contents/427/1568.html>

profit organizations dedicated to developing volunteer services in education for migrant children and bringing them loving care. Under this plan, the Narada Foundation decided to make donations for the construction of 100 non-government public welfare schools in 5 to 10 years, in order to provide migrant children with equal opportunities to enter qualified schools. These schools will be called “New Citizen Schools”. The vision is that students in these schools will be trained in the skills needed for developing ideals, morality, culture and self-discipline.

In May 2007, Xu Yongguang became vice chairman and secretary-general of the Narada Foundation. Over the past 20 years, Xu Yongguang has been a leading and influential figure in the philanthropy sector in China. In March 1989, as secretary-general of the China Youth Development Foundation, Xu created Project Hope—an initiative that focused the nation on rural education, inspired a philanthropic mindset among businesses and individuals across the country, and shaped the development of philanthropy in China.