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Governance for Equitable Development

# Capacity Development of Civil Society Organizations: Towards Inclusive Social Management in China



# Capacity Development of Civil Society Organizations: Towards Inclusive Social Management in China

**A policy research paper prepared for  
the Governance for Equitable Development Project**

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## **I. EXECUTIVE SUMMARY**

This paper reviews the support for development of civil society organizations (CSOs) under the Governance for Equitable Development (GED) Project (GED's CSO Component), sponsored by the European Union (EU) and the United Nations Development Programme (UNDP) from 2007 to 2012. The paper finds that GED's CSO Component has reached all the goals set down at the beginning and accomplished principal outcomes the following areas: (1) research, knowledge accumulation and sharing, and policy recommendations; (2) review of laws and regulations; (3) pilot projects on CSO registration; (4) establishing a government/CSO association; and (5) training for CSOs in a variety of different skills.

The paper also reviews the overall impact of GED's CSO Component on the legal and policy environment for civil society development in China, and finds evidence for direct and indirect impact in the following aspects: (1) influence on Ministry of Civil Affairs (MoCA) officials and relevant policy-makers/implementers in other sectors; (2) building a more friendly policy environment for drafting laws related to CSOs; (3) enhancing CSO capacity-building and potential input in policy-making; and (4) innovating direct communication and cooperation mechanisms between the government and the CSO community.

Considering the larger picture of socio-political changes in China, the paper reminds the reader that there are future challenges to supporting CSO sector upon the completion of the GED Project. These include: (1) the need to continue expanding the "comfort zone" of MoCA and other CSO regulators and changing the official attitude and acceptance of CSOs in political life in general; (2) the gap between national and local-level officials in terms of their attitude and mentality towards CSOs, and in turn, their daily administrative practices in CSO regulation; (3) the soaring funding made available by the state for CSO development, which may pose significant challenges to MoCA; and (4) the future and mission of the China Association of Non-Profit Organizations (CANPO) and provincial level non-profit organizations (NPO)/CSO associations affiliated with government in terms of how they will evolve in the face of more grassroots CSO associations.

Finally, the paper also assesses the developments during the past five years in the context of the new policy direction on strengthening and innovating social management set by President Hu Jintao in February 2011 and projects what challenges that will present for the next five years.

## II. INTRODUCTION

This policy research paper evaluates the impact of GED's CSO Component. It first informs the readers about the current state of the policy environment for CSO capacity development and then explains how the GED Project has assisted the development of CSOs and a more inclusive social management in China. To do so, it addresses the following questions:

- What has the project implemented?
- How has it been implemented?
- How has it influenced thinking/policy development and which changes has it brought about?
- What impact does it have on the development of the legal and policy environment for civil society organizations in China?
- What will be the future benefits from the changes?

The challenge lies not in finding how the project has been implemented and how each specific task has been completed (the first two questions), but in how to assess the overall impact of the project on the development and change of the legal and policy environment for CSOs in China. Changing an overall legal and policy environment is a complex, non-linear process, and the influences may come from many directions. Change of this sort involves intensified interactions among the stakeholders both inside and outside the formal government system. From the perspective of the balanced, moderate, and gradual change preferred by the Chinese government, social and political stability is listed as the first and foremost priority. Therefore, consensus building around change is deemed to be necessary, and that means a consensus among related decision makers, among the public, and between the government and the public during the processes of policy reforms. The need for consensus building partially contributes to the slow change in many fields of policy/political reform due to the difficulties in the formation of consensus because of different interests among various players in the bureaucracy. That has certainly been true with respect to CSO policies.

As shown in more general research on the policy making process in China, there are two indispensable factors pushing for or pulling against the formation of consensus. The first is changing the attitude of the government officials (and as well as the public) on specific policy issues, and the emergence of a positive mentality towards change. The second is the capacity of relevant government bureaus. Since the administration has far-reaching legislative power in China, the government bureau plays a key role in bridging the needs of the public and the decision makers and in negotiating with the different stakeholders both inside and outside the government

system.<sup>1</sup>

Considering these two factors, the GED Project aimed to work with the National Bureau of Civil Organization Administration (the National Bureau) within MoCA, a key government bureau in reforming the legal and policy environment of CSOs, as the partner in GED's CSO Component. The paper seeks to explain and distinguish the impact of the GED Project from MoCA's normal duties.

A variety of methods have been applied to collect data and information on specific tasks and to analyze them; these include interviews, site visits, document review, and background research. To assess the overall impact of GED's CSO Component, two additional types of research have been conducted:

(a) Longitudinal Analysis. Historical data of the overall situation of Chinese CSOs was collected for the evaluation of overall changes. Findings of this part of the research are presented below.

(b) Interviews with key informants, including the directors of the National Bureau within MoCA, project officials of GED (both from the UNDP and GoC CICETE offices), and important scholars and specialists involved in the GED project and other relevant players in civil society development in China.<sup>2</sup> Experts' opinions and insights are quoted, when suitable, throughout the paper.

### **III. DEVELOPMENT OF CSOs IN CHINA: 2008-2012**

By way of background, it is important to note that the revival of Chinese CSOs began with the introduction of the economic reform in 1978. It was not until a decade later that a regulatory environment for them was introduced by the State Council. Two different types of CSOs were recognized – social organizations (*shehui tuanti* or *shetuan*) (1989) and foundations (*jjinhui*) (1988). In addition, it was only at the end of the 1980's that a specific agency was created inside MoCA to implement the registration and administration of CSOs. Subsequent to that time provincial and local offices of MoCA also established registration and management offices for CSOs that were subject to their jurisdiction. At the beginning, all the CSOs that were set up were tightly linked to government – many of these are well known to the Chinese people. They include: the China Youth Development Foundation (CYDF) with its Project Hope; the China Charity Federation; the Foundation for Poverty Alleviation; and the Soong Ching Ling

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<sup>1</sup> Zhu Xufeng, "Decisions by Bureau Chiefs": Hierarchical Structure of the Chinese Decision-making Process and Participation by Policy Experts, *China Public Administration Review*, 7(1):42-61 (2008).

<sup>2</sup> For example, meeting with Professor Karla Simon, GED project consultant and long-time researcher of civil society development in China, at CICETE GED office in Beijing on 20 Feb. 2012; and meeting with Mr. Li Jing, executive director of the Vantone Foundation, a leading private charitable foundation and an active member in the community, in Beijing on 6 March 2012.

Foundation. One of the earliest foundations not as tightly connected to the government but linked to the official Three Self Protestant Church was the Amity Foundation in Nanjing.

The 1988/89 regulations contained structural barriers to the full development of CSOs. These included the “dual management system” (a CSO was required to have a “guiding” agency as an official sponsor (also known as a “mother-in-law”). There were other strict requirements in the registration procedures, such as the limitation of one CSO in the same field in a given geographic area. There was also a lack of friendly policies (e.g., tax exemption and deductibility of contributions). Financial support for independent CSOs by the government was entirely lacking. On the other hand, the organizations tied to government were often run by retired government officials.

After another ten year period passed, two new regulations – one for social organizations and a provisional one for private non-enterprise units (*minbanfei qiye danwei* or *minfei*) -- were promulgated by the State Council (1998). The new foundation regulations were promulgated in 2004. Each of these continued the “dual management” requirement, which meant that many grassroots CSOs remained unregistered or registered with the Industrial and Commercial Bureau. It is clear that such operations were illegal under explicit regulations. Yet, it is also clear that the government chooses not to interfere with these organizations as long as they provide desired services to the community under what Deng Guosheng calls the “hidden rules.”<sup>3</sup>

Advocacy for reform of legal and policy environment has come from the CSOs themselves, from scholars, and from some government officials (including some within MoCA) in the past decade. This kind of advocacy only began to have an impact on agenda setting or law making related to CSO regulation and social management fairly recently.

The reasons why the advocacy was not effective earlier are diverse. The most important ones include:

- (a) The sensitivity of the non-government sector and its implications for possible instability.
- (b) The low level of awareness of CSOs and their work among both government officials in other ministries and the State Council and the broader public.
- (c) The lack of administrative experience in the field among government officials working for MoCA. According to the authors’ field research in the past decade, most

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<sup>3</sup> See Deng Guosheng, The Hidden Rules Governing China’s Unregistered NGOs: Management and Consequences, 10 *China Rev.* 183-206 (2010).

governmental officials, even including those within the provincial and local bureaus, are not very familiar with what a CSO is and are not able to distinguish citizens' voluntary associations from private non-enterprise organizations. One of the research projects supported by GED found that over 1/3 of the provincial Civil Affairs bureaus have less than ten staff members, and 50% of the provincial-level bureaus have no full-time staff in the charge of supervision over "irregularities" of CSOs<sup>4</sup>. The situation is even worse at the municipality and county levels.

(d) Within the Chinese state apparatus, MoCA has a relatively short institutional history and is known for its weak political position.<sup>5</sup>

(e) Policy advocacy by MoCA for a better environment for CSOs lacks a suitable leverage point, given that the administrative arms of MoCA are barely equipped to do what they are supposed to do.

In the view of many practitioners and researchers of CSOs in China, the year 2008 marked a new start for the community and social regulation as a whole. A deadly earthquake hit Sichuan Province on 12 May that year (generally called the Wenchuan or 5/12 earthquake), killing an estimated 68,000 people. The earthquake required not only an instantaneous response from the government, but also, for the first time since 1949, a nation-wide bottom-up social mobilization to join the disaster relief and the reconstruction efforts. During the massive and still ongoing relief and reconstruction process, the creation of grassroots social organizations, networks among them, and citizens' self-organized voluntary activities surged. Leaders of the Party and governmental agencies spoke highly of these individual and collective acts in public. Many Chinese people first heard about the concept of "civil society organization" at that time, resembling the situation during the 1995 UN Conference on Women in Beijing, when for the first time Chinese journalists, intellectuals and the public got to know the concept of "non-governmental organization—NGO". Xu Yongguang, former administrative director of CYDF and the Hope Project [Project Hope?] and the current executive director of the Narada (Nandu) Foundation (probably the most active and vocal Chinese private charity foundation) wrote a widely distributed commentary published on the internet, stating "2008 marks the new era for NGOs and civil society in China". At that time, everyone in the field became excited, expecting that the state would take major steps to reform the regulatory framework and accommodate the

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<sup>4</sup> Cited from the report of the Research on the Capacity Building of the Enforcement of Laws on Social Organizations, in MoCA eds, Collections of Research Reports on GED Project, vol.6: 75.

<sup>5</sup> Shelly, B, Political Globalization and the Politics of International Non-governmental Organizations: The Case of Village Democracy in China, *Australian Journal of Political Science*, 35(2): 225-238 (2000).



rapid development of CSOs in China.

As the following discussion indicates, the state began to address the need to reform the legal and policy environment in a more systematic fashion even earlier than 2008. On the other hand, much of this was a culmination of policies that had been developing over time since the initial regulations were reformed in 1998/2004.

#### **A. Continuing Expansion of CSO Sector**

Four years have passed since the Wenchuan earthquake, and the total number of CSOs registered with the MoCA system increased steadily.

The number of CSOs came to about 458,000 by 2011, including 253,000 social groups (*shetuan*), 202,000 non-profit private enterprise units (*minfei*), and 2510 foundations (*jijinhui*)<sup>6</sup>. In addition, as Jianyu He estimated in 2007, there were at least 758,000 unregistered grassroots organizations.<sup>7</sup> The existing registration system has become increasingly unfit for the growth of CSOs.

#### **B. Incremental Innovation and Development of Legal and Policy Environment**

Despite the prolonged wait for the new CSO regulations, experiments and institutional innovations have also been introduced at the local level in the past four years, e.g., during the GED Project. For example, the Beijing local government introduced the “hub association” to temporarily replace the conventional sponsors/supervising units for CSOs. Shenzhen, Guangzhou, and Foshan have removed the dual management system for certain types of CSOs such as business associations, social welfare and charity organizations. In Shanghai, Beijing, Shenzhen, and Chengdu, a new form of “NGO incubation” has been established by municipal Civil Affairs bureaus and implemented by an independent organization – such as NPI (*en pai*). For community based social organizations, a new system – the filing system – had been adopted by some local governments, such as Qingdao and Nanjing (Qingdao pioneered this as early as 2002). Various municipalities have adopted rules with regard to fundraising and volunteering. The latter are aimed at increasing the capacity of Chinese citizens to respond to disasters more effectively; the former increase vigilance over public fundraising and are important for consumer protection and the prevention of fraud. In addition, as discussed in (c)

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<sup>6</sup> There are two different types of foundations – those involved in public fund-raising, and those that are not.

<sup>7</sup> He Jianyu, & Wang Shaoguang, “A Chinese Style Associational Revolution: a quantitative map to the landscape of civic associations in China,” in Gao Bingzhong, & Yuan Ruijun, eds., *The Blue Book on the Development of Civil Society in China*, Beijing: Peking University Press, 133-163 (2008).

below, government at all levels has increased its purchasing of social services from CSOs in an effort to build a “small government, big society.”

These incremental innovations indicate that the governmental agencies at all levels have become more tolerant of CSO development in general. As reported in the most recent news, Guangdong Province will expand the practice of direct registration to all kinds of CSOs starting from July 1, 2012.<sup>8</sup> Mr. Li Liguó, the Minister of Civil Affairs, openly praised the Guangdong experiments and encouraged further spread of this innovation nationwide.<sup>9</sup>

Most importantly, in the 12<sup>th</sup> Five-Year Plan (2011-2015) passed by the National People's Congress in March 2011, there was for the first time a specific chapter designated to address the development of social organizations. The chapter emphasized strengthening the sector of social organizations by two means: (a) by fostering the development of the social organizations, and (b) by strengthening the supervision and management of social organizations including the establishment of the direct registration system. CSOs are also expected to play a strong role in social management according to the Five-Year Plan. These points were emphasized in an internal file issued in July 2011 by the Central Committee of the Chinese Communist Party, called “Notions and Suggestions on Strengthening and Innovating the Social Management.”<sup>10</sup> Considering the importance of Five-Year Plans in China's reform and development, it is plausible that the CSO regulatory framework and related policies will undergo significant changes in the near future (the three regulations are at the State Council awaiting final approval).

### **C. Increasing Support of CSOs by Government**

The 12<sup>th</sup> Five-Year Plan, to a large degree, has set the tone for CSO regulatory reform. It has also specified the kinds of supportive policies to be established, and suggested transferring some existing governmental functions/responsibilities to CSOs and making more public resources available to them. In addition, the Plan encourages different forms of financial support from the government to CSOs and substantive cooperation between governmental agencies and CSOs, citing to experiments with outsourcing social services to CSOs by local governments in such places as Beijing, Shanghai, and Shenzhen.

At the national level, new policies on tax benefits for CSOs and their donors have been promulgated jointly by MoCA, Ministry of Finance, and the State Taxation Administration.

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<sup>8</sup> National Bureau website: <http://www.chinanpo.gov.cn/1938/52408/index.html>. Accessed in March 2012.

<sup>9</sup> Ibid.

<sup>10</sup> Interview of Mr. Li Liguó, <http://www.chinanpo.gov.cn/1938/52308/index.html>. Accessed in March 2012.

These can be found in two circulars on the criteria for qualified CSOs issued in 2009. One of these deals with eligibility for tax-deductible charitable donations from corporations, in light of the latest Enterprise Income Tax Law, as well as for individuals. (In 2008, the Law increased the charitable tax deduction limit for domestic corporate donations from 3% to 12%; the upper limit for individuals remains at 30% of income). The second circular specifies rules for tax exemption of the CSOs themselves. Under these two new policies, more CSOs are qualified to receive tax-deductible donations and income tax exemption. At the national level, the number of CSOs that can directly receive deductible donations has since increased **from about 20 to about 120**. More organizations qualify at the local level.

Another positive development has been the writing of the charity law, which began in earnest in 2006. Although the law is still under discussion between MoCA and the Standing Committee of the National People's Congress, it is clear that this law will advance the requirements for transparency and accountability for charitable organizations in China (which MoCA will continue to manage under the new regulations, when they are promulgated).

Furthermore, in the context of both the development of the Charity Law and in the wake of the scandals in the charity sector in 2011 (within government-organized non-government organizations (GONGOs), such as the Red Cross Society, the Henan Soong Ching Ling Foundation, etc.), MoCA has been making a concerted effort to introduce charity and volunteering as valuable contributions to Chinese society. Many stories have been run in the press and campaigns for volunteers have been set up around recent events such as the Olympics and Paralympics and the Shanghai Expo. Furthermore, the first national "Charity Fair" will be held in Shenzhen in July 2012.<sup>11</sup> Finally, the annual national "Charity Awards" event is featured on CCTV 1 with an elaborate production. Similar events are held at the provincial level in some places.

In 2012, in a new attempt to foster CSO development, the central government for the first time allocated from the fiscal budget a fund of 200 million RMB to support the engagement of CSOs in social services provision.<sup>12</sup>

#### **IV. INCLUSIVE SOCIAL MANAGEMENT AND CSOS**

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<sup>11</sup> See [http://www.china.com.cn/zhibo/2012-05/07/content\\_25300849.htm](http://www.china.com.cn/zhibo/2012-05/07/content_25300849.htm)

<sup>12</sup> The related files and procedures are listed on the National Bureau website, and the link is as follows: <http://www.chinanpo.gov.cn/2351/51876/index.html>. The awards from the fund were announced in April 2012 and the results can be found at <http://www.chinanpo.gov.cn/2351/53036/index.html>.

President Hu Jintao called for “strengthened and innovative social management” in a major speech in February 2011. In fact, a role for CSOs in social management is explicitly stated in the 12<sup>th</sup> Five-Year Plan. Social management aims to create more harmony in society as well as more stability and in that sense CSOs are crucial to achieving the goals of the program.

One clear reason for the new social management agenda is improving social cohesion by promoting equality and justice for China’s impoverished and discriminated against populations. In procedural terms, the Party’s agenda includes: a commitment to pooling social resources; building a social management structure led by party committees; building cooperation between government, CSOs, and the public; and building coordination between social development and economic, political, and cultural development initiatives. These will have an impact on all of China’s ethnically, regionally, and culturally diverse people.

Describing what this means in development terms, Feng Jun, Executive Vice President of the China Executive Leadership Academy Pudong (CELAP), said at the East Asia Forum in 2011, “For a long time, social management reform and development has been treated mostly as a way of supporting economic reform by fostering social stability. Increasingly, (the Communist Party) is aware of the broader strategic importance of social management in governance.”<sup>13</sup>

For social management to be **inclusive** it has to not only enhance social service delivery intended to reduce dissent, but it must also build social capital, encourage civil society engagement, harness trained volunteer networks, and generally increase public participation in social development. Such an inclusive approach involves bringing together different actors to devise holistic solutions to complex development challenges.

Inclusive social management includes comprehensive moves to improve the depth and effectiveness of social service delivery across the country, but there is more to this effort. Restructuring of governance, outsourcing social services to CSOs, increased transparency measures for government (e.g., exposure of government budgets to public scrutiny), political participation at the local level (e.g., local elections such as what followed in the wake of the incident at Wukan in 2011), and social management networking among CSOs throughout China will be necessary. These form the backbone of the new approach and must be seen as that in the future projects in this area.

There are many impediments to this happening. One is the extreme sensitivity of CSO development in China. While many members of the government indicate support for direct

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<sup>13</sup> See <http://www.eastasiaforum.org/2011/08/24/china-reinventing-social-management/>.

registration and other reforms, other members of government/the Party continue to express concern about the dangers of freeing civil society from the constraints it faces and this will result in some barriers to full participation, especially by grassroots CSOs. This is a political rather than a structural problem, and it is not one that MoCA can resolve. This can, in fact, only be resolved over time, as political players become more comfortable with civil society.

That leaves some room for education of segments of the Party and the higher level bureaucrats about what civil society is and how it can contribute in a more important and inclusive way to social management.

Despite initial constraints and potential barriers to full participation of CSOs, including grassroots CSOs, the roles and functions of such organizations in facilitating inclusive social management are wide-ranging and diverse. They include the capacity of CSOs to involve a wide range of people in meeting the needs of the Chinese people, through volunteerism, work with the needy and the elderly, participation in community affairs and disaster management, etc. By building on their social capital in communities, CSOs, especially those at the grassroots, will be able to increasingly address unmet needs and enhance critical issues of inclusive social management. In time, it will become apparent that such grassroots organizations, coming as they do from the people, will attract greater influence than GONGOS.

## **V. ACTIVITIES AND OUTPUTS: A SUMMARY**

How did GED's CSO Component contribute to these recent developments in the legal and policy environment of CSO management? The following sections address this question by examining what the Project has accomplished and what its overall impact has been.

GED's CSO Component was designed to enhance perceptions of CSOs among government officials, to improve the general policy and legal environment of CSOs, to facilitate co-ordination and communication between CSOs and the government, and to build up government capacities to involve CSOs in policy-making and public service delivery. Five outputs were included in this component:

- Recommendations for the development of civil society in China
- Review of laws and regulations governing CSOs and revision of selected key laws/regulations
- Pilot cooperation project between government and CSOs disseminated
- Creation of a governmental-CSO association
- Training manuals for CSOs designed and tested

Although inclusive social management was not included at the outset of the project, it became important in 2011 and will also be addressed here.

#### **A. Recommendations for Development of Civil Society and Enhancing Inclusive Social Management**

This section assesses the value of the Project for raising both governmental and public awareness of CSOs, and providing policy recommendations for the development of civil society in China. A large number of policy-oriented research projects have been commissioned and supported (including one co-sponsored by the World Bank). A series of publications has been published based on the research projects including conference reports, CSO yearbooks and professional journals. A variety of publicity activities, especially with respect to charity and volunteering, have been sponsored by MoCA.

A specific ministry-sponsored research grant program was launched in 2008 with the support from the GED project. **Prior to the GED Project, there were no ministry-level research grants available for specific topics related to CSOs. Considering the incentive for obtaining ministry-level research grants within the academic community in today's China, the GED funding provided encouragement to university professors and professional researchers to conduct studies related to the CSO sector.** For the first round of application in 2008, 300 applicants submitted the proposals, and 38 projects were selected. In 2009, the number of research fields increased to 337 from proposals submitted by around 2,000 scholars and experts, and 62 research projects were sponsored. By 2011, the total number of application reached 609. More than 3,000 scholars and experts were involved, and 75 research projects were sponsored, of which 73 have already been completed.<sup>14</sup>

The principal investigators of the sponsored projects came from 15 provincial universities and other institutions. The academic backgrounds of the experts included public administration, politics, law, economics, sociology, social work, international relations, and youth studies. It is evident that scholarly interest in the topic of civil society has been raised. Moreover, with the support of this research grant program, **the academic community of CSO experts has expanded from a small circle to a wider network, and reached out to various fields of study, which could further enhance the general understanding of CSOs in society.** This is a major accomplishment of the GED project. MoCA's continuing effort in promoting research in the field of civil society, CSO management and state-society relations has caught genuine

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<sup>14</sup> These data on the research grant program comes from the website of MoCA: [www.chinanpo.gov.cn](http://www.chinanpo.gov.cn).

attention and interest from leading scholars in the field and influential public intellectuals in China such as Yu Keping,<sup>15</sup> Zhao Shukai,<sup>16</sup> Wang Ming<sup>17</sup> and Kang Xiaoguang.<sup>18</sup>

Furthermore, the GED Project managers at MoCA explained to us that, over the years, they have modified this research grant scheme from “open-for-any-theme” style program to a more “custom made” approach. This means they have become more aware of what they would be looking for and which kinds of research would be the most relevant to the development of the policy environment. In a way, administering these research grant applications has also had an educational effect on MoCA staff themselves. For example, the MoCA promulgated the Guideline on Disclosure of Charity Donation Information on 16 December 2011, responding to the scandals of the China Red Cross Society and the Soon Ching Ling Foundation in Henan. This Guideline adopted some of the policy suggestions from one of the 2010 GED research grant programs, titled “Research on information disclosure of charity organizations.”

A variety of publications have been published based on the above funded research projects, among which the Yearbooks of China’s Social Organizations (Volumes 2008, 2009, 2010, and 2011) are the most comprehensive examples and will become basic references among officials, academics, and practitioners in the future. This series of Yearbooks is the first of its kind ever published in Chinese on CSO development in the country. Each Yearbook consists of five main sections: (1) recent regulations and policies related to CSOs promulgated by the central government; (2) key speeches of the top leaders and MoCA officials on CSOs administration; (3) reviews of CSO development in each provincial unit; (4) influential survey reports and research articles on the topic; and (5) exemplary cases of CSOs across the country. They could help to disseminate policy information and relevant knowledge about CSOs. To date, 1221 copies of the Yearbooks have been delivered to the participants in training sessions sponsored by the GED Project.

Other publications include a dozen or so monographs on community-based organizations (CBOs), government procurement of social services provided by CSOs, and six volumes of research reports that have been funded by the GED Project. As MoCA staff explained to us,

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<sup>15</sup> Professor Yu Keping is one of the most famous political scientists in China. He is now the deputy director of the Compilation and Translation Bureau of the Central Committee of the Chinese Communist Party.

<sup>16</sup> Professor Zhao Shukai is a famous scholar in the Chinese public policy research. He is now the deputy secretary general of China Development Research Foundation, which is an important think tank in China.

<sup>17</sup> Professor Wang Ming is the director of NGO Research Institute of Tsinghua University, which is the first one in China.

<sup>18</sup> Professor Kang Xiaoguang is the director of Non-profit Research Centre of Renmin University of China.

these publications have also been widely distributed to local bureaus of civil affairs to further disseminate the knowledge on CSO related topics.

Publicity activities were also key for information dissemination and awareness-raising among government officials and the public. The main events included five annual conferences. The positive roles of CSOs in both the disaster relief such as Wenchuan Earthquake and the social protection during the global financial crisis were widely praised at the conference. Each subsequent year has witnessed the holding of such events. The selection and announcement of Ten Events of the Year on Chinese Social Organization has become an important symbolic ceremony to highlight the development of CSOs in the past year.

One of the other key outcomes was the publication of the Journal of CSO Management Studies. It is a journal, first and foremost, to serve government officials dealing with administration of CSOs on a daily basis, practitioners affiliated with CSOs, and researchers and scholars who are interested in the topic, who together have the prospect in the long-run to set up professional standards and principles. Mr. Shicheng Chen, the chief editor, when we interviewed him in February 2012, shared with us that **the GED grant in 2008 and 2009 was a key funding source to support the early development and improvement of the Journal**. Now more than 15 articles are published in each issue, including practical pieces for experience sharing among the officials and practitioners and research articles, some of which introduce foreign experiences in the development of CSOs.

## **B. Review and Revision of Laws and Regulations Governing CSOs**

To achieve the above goals, two kinds of work have been conducted: (1) specific research on key regulations and suitable options for revision; and (2) pilot projects in the innovation of regulations and administration of CSOs. In addition, four seminars were held to start the discussion of the criteria and evaluation system of CSOs and contributed to the publications on these topics. With the generous support by the GED Project, a review of laws and regulations governing CSOs and revision of selected key laws/regulations was undertaken and the draft revisions to the three key national regulations on CSOs was completed by MoCA in 2011 and submitted to the Legal Affairs Office of State Council to go through legislative process. The promulgation of the three regulations (*san tiaoli*) will be a milestone for the improvement of the CSO legal environment in China, and is closely related to the GED funded research results, experiments, and other activities completed under the Project.

Obstacles preventing registration as a legal CSO are prevalent in China for many reasons,



including political culture and the existing system of dual registration and management. With the support of the GED Project, MoCA both commissioned and called for research applications to encourage comprehensive review and revision recommendations for the main regulations in this field, i.e. the Regulations on Registration and Management of Social Organizations (*shehui tuanti*, or *shetuan*), of Private Non-Profit Enterprise Units (*minban feiqiye danwei*), of Charity Foundations (*jijinhui*), and complementary regulations. Among the research projects described above, more than 10 research reports on policy recommendation papers for CSO regulations were completed by 30 leading Chinese scholars and experts and were submitted to senior-level officials of MoCA and other state agencies. As indicated by Mr. Liu Zhenguo, a deputy director of MoCA's National Bureau, **these policy recommendations were considered necessary, useful, and effective inputs for the revision of the laws and regulations in the field.** The Party, the State Council and other powerful state agencies (such as the Ministry of Finance) still, to a large extent, make the final decisions. The policy-making process in today's China is becoming more open, and there are more channels for policy input.<sup>19</sup> It is important to support MoCA to formulate concrete and persuasive suggestions and put them into formal policy recommendations so that they can be incorporated into the process.

MoCA's decision to pilot a few policy options at the local level across the country is of critical importance as the national level regulations and laws evolve; these projects have generated important knowledge and in turn have led to actual changes in MoCA's national level regulation reform. For example, the Civil Affairs Bureau of Hubei Province undertook the piloting of qualifications required for social groups that apply for tax-deductible charitable donations. Experts from the Central China Normal University worked closely with local officials in Hubei local to identify the problems that may appear in daily administrative processes with regard to donations to charities. They also solicited opinions and suggestions from relevant professionals at seminars and via questionnaires. Around 80 local social groups were consulted during the course of this pilot policy change project. Three training sessions for both officials and CSO staff were held to introduce and review the new criteria for tax-deductible donations. MoCA incorporated the Hubei experience and more from other sites in different parts of the country into its own policy formation later on, all of which contributed to adoption of the Interim Measures for Qualification Review of National Social Organizations on Tax Deductible

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<sup>19</sup> The so called "fragmented authoritarianism" theoretical model, which depicts the decentralization and opening-up trends of the decision-making process, has been widely accepted within China studies since the early 1990s.

Charitable Donations stipulated on 1 June 2011.<sup>20</sup>

Another good example of the importance of these pilot projects is MoCA and GED's contribution to the recent rapid development of CSO policy in Guangdong Province. It is expected that CSOs throughout the Province will be able to register directly with the local civil affairs bureau without a sectoral supervisory governmental body after 1 July 2012. GED supported workshops on CSO policy together with a conference in Guangzhou city "where the information on the local pilot on direct registration was exchanged," and disseminated the practical knowledge of the possible effects of a "single line," unified the registration policy.<sup>21</sup>

This part of the GED Project also aims to draft specific criteria and evaluation indicators for CSOs that would be incorporated in the national-level law making on CSO registration and management. To reach this goal, at least four seminars in 2008 were held to specifically initiate the discussions on the topic among related state agencies, major national-level social organizations (e.g., Chinese Red Cross Society; China Children and Teenager's Fund; China Foundation of Disabled Persons; China Population Welfare Foundation; China Foundation for Poverty Alleviation), and MoCA officials. It is fair to point out that these two issues, organizational criteria and evaluation indicators, are naturally recognized by MoCA as essential to the overall development of legal and policy environment for CSOs, and have been later on consistently embedded in all policy related work and training. The highly-anticipated new regulations on CSO registration are widely expected to come into force in 2012, and Mr. Liu Zhenguo explained to us prior to this review that many of the ideas and conversations took place during the course of the project contributed to the final drafting of the forthcoming regulations.

### **C. Pilot Cooperation Projects Between Government and CSOs Disseminated**

Three types of activities were implemented with regard to cooperation projects and these showed a deepening logic: (1) experience learning; (2) dissemination of the experience and trainings for officials; and (3) pilot partnership projects and a CSO granting mechanism.

The overseas visits and experience learning were effective ways to train the officials from not only different levels of the civil affairs branches of MoCA and but also other related governmental agencies, such as the Ministry of Finance, the State Administration of Taxation,

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<sup>20</sup> On 31 December 2008, Ministry of Finance, State Administration of Taxation and MoCA together promulgated the Notice of Tax Reduction of Charitable Donation and Related Issues. The 2011 Interim Measures are a necessary follow-up to actually implement the policy of tax reduction for charitable donations.

<sup>21</sup> GED Project Annual Report 2011, Component C.

the Supreme Court, and the Xinhua News Agency. Ten delegations of 110 members have been organized, and they have visited 18 countries. **The overseas visits supported by the GED project and organized by MoCA have greatly expanded the knowledge horizon about CSOs among these Chinese officials.** They have been exposed to diverse experiences from Europe, the Americas, and more importantly, a number of transitional states, such as Russia, Poland, the Czech Republic. In our interviews with the MoCA officials who joined the overseas visits, they talked to us with enthusiasm and showed that they knew not only the principles and concepts. They had also learned many of the details about the actual practices and policies implemented in those countries in terms of CSO management, and seemed particularly impressed by the COMPACT arrangement between the government and voluntary sector in the United Kingdom.

The second step after the study trips is to share what has been learned with peers and colleagues. In both 2010 and 2011, nine training sessions were organized by MoCA in Xiamen, Suzhou, and Harbin. These training sessions were designed for local civil affairs officials (especially from the registration and management bureaus) and focused on information dissemination, experience sharing, regulation explanation, and promoting reforms and innovations in cooperation between governments and CSOs at local levels.<sup>22</sup> In total, around 633 officials from 495 registration offices of 31 provincial units and relevant researchers and experts participated in these training. Because policy implementation does not automatically trickle down from Beijing to local levels, **these rounds of training and forums serve the purpose of familiarizing local officials with the key and difficult points in building new types of interactive relations with local CSOs.**

To further test and demonstrate to local level agencies what could be done in innovating government-CSO relationship, MoCA experimented with a small-scale grant making mechanism administered by the China Association of Non-Profit Organizations (CANPO). A central government procurement fund for social services by CSOs was launched across the country in 2012. In the context of social management in China, such a granting mechanism is unprecedented. **Though the state has become more open and supportive towards social organizations and CSOs in official rhetoric and policy languages, there has never been institutionalized funding mechanism, at the national-level, that would directly channel resources from the state to CSOs based on fair application and assessment procedures**

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<sup>22</sup> GED Project Annual Reports 2010 and 2011.

**besides outsourcing or sub-contracts.**<sup>23</sup> Therefore, this grant making mechanism can be regarded as ground breaking.

During the course of the GED Project, two rounds of small grants have been distributed to support 50 grassroots social organizations under the scheme of GED Project Social Organizations Development Fund. We visited one of the earliest grantees of the Fund, the Qiaoniang Studios in Dongcheng District of Beijing.<sup>24</sup> The Qiaoniang group is a very active women's self-organized grassroots organization. We found the founder and current leader of the group, Ms. Zheng, extremely devoted and highly motivated, and the members enthusiastic and satisfied. The mission of Qiaoniang Studios is to support the women to be economically independent, especially the unemployed and disabled, through the handicraft training. It was the first grant this group obtained, and it was indeed a lifeline kind of support. The grant and Qiaoniang's impressive accomplishment later on led to a few other grants from both Chinese and foreign charities. This group seemed to us to be growing quickly and healthily, and to have benefited greatly from the funds.

In the interview with Qingdao Aiyipu Social Work Centre in Shandong Province, we witnessed similar level of appreciation for a small grant.<sup>25</sup> The Centre's director informed us that they used the grant they obtained to launch a new project to help children from poor single-mother families. Without the grant, such direct substantive support to targeted population would have been very difficult, if not impossible, for a fairly young and small organization such as Aiyipu.

**Both of the above cases indicate that the Social Organization Development Fund mechanism available from GED funds and through CANPO has been well administered and appreciated by the recipients.** There is no complaint about mismanagement or excessive paper work. On the contrary, the CSO leaders we have met speak highly and enthusiastically about their experiences with the Fund staff. When we reviewed the list of all grantees of the Fund, we realized and confirmed with GED Project staff that a few of them are national or provincial level service-delivery organizations or industrial associations either initiated by,

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<sup>23</sup> For more understanding of governmental outsourcing, sub-contracts and other forms of seemingly cooperative state-CSO relationships in China, see Jing Yijia, Outsourcing in China: An Exploratory Assessment, *Public Administration and Development*, 28 (2), pp119-28 (2008); Jing Yijia and E. S. Savas, Managing Collaborative Service Delivery: Comparing China and the United States, *Public Administration Review*, 69 (s1), pp.s101-07 (2009). In recent years, a number of municipal-level governments, including Shanghai, Shenzhen, Suzhou and Dongguan, have started to use open application and expert review mechanism to distribute and channel governmental funding directly to CSOs. However, research on this specific topic is very limited.

<sup>24</sup> Interview and office visit in Beijing on 20 Feb. 2012.

<sup>25</sup> Meeting and interview in Beijing on 10 March 2012.

sponsored by, or embedded in governmental agencies. The GED project team (including the UNDP officers we have met as well as officials in the National Bureau) have reached consensus, agreeing that it is crucial to consider ways to allocate more funding opportunities for grassroots CSOs, for they are comparatively less equipped and more in need of direct support and resources.<sup>26</sup>

There is an unintended but relevant result of this grant making experiment. The officials of MoCA shared with us that the experience they gained from managing the Fund supported by the GED Project proved to be important for them as the designated agency to administer the budgetary allocation of 200 million RMB from the Ministry of Finance to launch an ambitious grant making program to support the CSOs' participation in social service provision beginning in 2012.

In terms of inclusive social management, building social capital at the grassroots level will be enhanced as more grassroots CSOs are registered and able to receive funds from government. In fact, at the local level there are experiments aimed to do just that by encouraging CSOs recognized through the *bei'an* process to partner with foreign CSOs or GONGOS in service provision among special communities whose needs they serve. More aspects of this will be discussed in the Future Benefits and Challenges section below.

#### **D. Creation of Government/CSO Associations**

In this part, the outcomes include a series of bi-monthly CSO development forums, a website developed as an e-platform for information exchange among CSOs, and the promotion of CANPO through annual national CSO exchange conferences.

The promotion of CANPO is also an important outcome of the GED Project. The principal mechanism is to support it through not only the publication of journals and small grants program as mentioned above, but also the sponsorship of an annual national forum on the innovation and development of CSOs. The annual forums have been held four times, covering topics such as development models of CSOs, community-based CSOs, CSOs' participation in social service provision, and CSOs and social innovations. **CANPO, in a way, embodies the very distinctive feature of the changing nature of social management in China.** Indeed, it may be useful as a transitional mechanism as the direct registration system is implemented throughout China.

Initiated and hosted by MoCA, around 15 social organization development forums (the bi-

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<sup>26</sup> Meeting with CICETE GED project officers on 20 February 2012. Conference call with UNDP GED project officers on 1 March 2012.

monthly forum) have been held in the past 4 years. These forums covered a wide range of topics concerning capacity building, state-society cooperation, and the administration of CSOs in China. Examples include the Forum on Development Models of China CSOs in Nanchang of Jiangxi Province in April 2011, and the annual China Private Charity Foundation Forums, which have been held since 2009.<sup>27</sup> These forums brought the government officials and CSO practitioners together to promote the dialogues and mutual understanding with each other.

The website “Social Organization Cooperation & Exchange” is another tool initiated by the GED project as an e-platform to further enhance the information exchange and knowledge sharing not only within the policy-making circles, the administrative sector, but also between the state and the CSO communities. Every provincial level CSO registration and management office of the civil affairs bureau can access the platform to publish and share their news and experiences on the development CSOs. It seems, however, that the updating frequency is not as often as the official website of MoCA ([www.mca.gov.cn](http://www.mca.gov.cn)), the National Bureau ([www.chinanpo.gov.cn](http://www.chinanpo.gov.cn)) or the provincial civil affairs bureaus, which may make this website redundant. CSOs can access official websites for information on policy changes and regulatory guidelines. CSOs can also use official sites as channels to file inquiries, complaints, and ask for advice.

All the legal and policy changes with regard to the CSO sector indicate that the state is aware of the need to take the leap from “social control” to “social management.” The state and Party are, however, also reluctant to let this process be led by bottom-up forces. CANPO, initiated by and embedded within MoCA, is guaranteed to be a politically correct implementer of new policies and therefore can be trusted to lead the process of inviting and cooperating with grassroots CSOs as moves are made toward more inclusive social management. For the state, promoting the public awareness and credibility of CANPO is not just to promote the organization itself but, in a sense, to test the steps leading to a less control and a relationship focused more on oversight with the rapidly growing number of social organizations. CANPO can work alongside existing organizations such as CANGO to carry out programs over time. But it will be important for such GONGOs also to interact with the CSO associations of grassroots organizations that are growing in various sectoral areas (e.g., HIV/AIDs).

## **E. Training Manual for CSOs Designed and Tested**

This part of GED's CSO Component focuses on disseminating knowledge among CSOs. The

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<sup>27</sup> CANPO was among the founding partners of the 1<sup>st</sup> China Private Charity Foundation Forum held in 2009. However, CANPO since then withdrawn its leading role and now participates the Forum annually as a regular participant. CANPO's director, Mr. Liu, explained to us that his personal interest has shifted from private to public charity foundations.

outcomes consist of the publication of a series of textbooks on CSO related topics and training sessions, conferences, and seminars designed for CSO staff.

The textbook series consists of seven books which have been all published by the end of 2010. These books are: General Introduction of Social Organization, Social Group, Non-profit Private Enterprise, Foundation, Capacity Building of Social Organization, Finance Management of Social Organization, Administration and Law Enforcement of Social Organization. As Professor Wang Ming, director of the NGO Research Institution at Tsinghua University, has commented, these books were the first attempt of systematic training books about Chinese CSOs.<sup>28</sup> In the training conferences and seminars, 1484 copies of these textbooks have been delivered to CSO trainees. Tsinghua University has also started to use these books as textbooks in relevant MPA courses.

As for the training conferences and seminars, an evaluation report was completed by the Beijing Social Administration Professional Colleges. According to the report, through 14 sessions in the past three years (including three sessions of Training of the Trainers, TOT), the GED Project provided training for 588 CSO staff from 115 counties/districts/cities of 28 provincial units. The report also says that the program had been the largest CSO training in China in terms of scale to date, and the trainees who directly benefited from the training could share the information and transfer the knowledge to as many as 142,000 people, including through informal information sharing.

## **VI. IMPACT ASSESSMENT**

Based upon the detailed review of Project outputs in the previous sections, this section intends to assess the impact of GED's CSO Component overall. This is not intended to make deterministic causal linkages between events or actions, but to best explain and demonstrate the possible effects, both short-term and long-term, of GED's CSO Component with the information and documentation available. We observe at least four dimensions along which the GED Project has made significant contributions to civil society involvement in "governance for equitable development" in China: (1) direct impact on MoCA officials, relevant decision-makers, and governmental agencies; (2) direct and indirect impact on the legal and policy environment for civil society development in general; (3) direct impact on CSOs to enhance their capacity to perform their work and carry out their functions in an open, transparent, and professional manner; and (4) direct impact on reform of state-society relations via institutional innovation and

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<sup>28</sup> Interview with Wang Ming on 2 March 2012.

arrangements. One aspect of the project that has not been very successful is training CSOs to participate in improving the policy environment for civil society in China.

#### **A. Direct Impact on MoCA Officials and Relevant Decision-makers and Agencies**

As the principal implementing governmental agency for CSO registration, management, and related policies, MoCA serves as the cornerstone of all possible policy and regulatory reforms in the field. However, the existing macro-level power structures, bureaucratic settings and policy-making processes all act together and constrain what MoCA can accomplish. **The GED Project, in the past four years, has been a crucial, if not indispensable, external supporting force for MoCA.** The funding from GED served as a consistent financial enabling factor for MoCA's national staff to initiate and experiment with some of their own ideas, and the support of expertise and professional knowledge from the GED Project and UN China teams became the most important backup for MoCA to complete what they set out to do. Indeed, MoCA staff are rightfully proud that the highest levels of the government tasked with writing the 12<sup>th</sup> Five-Year Plan asked them to draft a chapter on social organizations and other mentions of civil society in the plan.

The institutional history of MoCA has by and large determined its relatively weak position within the entire state apparatus.<sup>29</sup> This means that MoCA must seek to work with more powerful actors as it advocates for policy changes with the high level decision makers. The decision to prioritize economic development by the Chinese state since 1978 has created a structural obstacle to social development. It took considerable time until the government started to put social policies and reforms on its agenda both at the national and local levels. It is not accidental that the modification of regulations of CSOs stalled in 1999, the year when the Falun Gong protests broke out. Since then, the “color revolutions” in Central and Eastern Europe and the recent “Arab Spring” have made the state more cautious and hesitant to rush into a decision about what to do with CSOs. In recent years, efforts in the field of social control have been increasing in the face of strides in information technology and the impact of globalization (e.g., with respect to censorship of access to the internet).

Considering all these deep-seated impediments, the decision to provide consistent GED support to MoCA and allocate a significant portion of the GED budget (over 50%) to MoCA should be recognized as a wise move, and it made a significant difference in MoCA's capacity beginning in 2008. The support has greatly enhanced MoCA's bureaucratic ability to reach out to other more

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<sup>29</sup> Shelley, B, Political Globalization and the Politics of International Non-governmental Organizations: The Case of Village Democracy in China, *Australian Journal of Political Science*, 35(2), 225-238 (2000).



powerful ministries, to strengthen its own central-local administrative ties, and to complete pilots that can demonstrate its own policy opinions to the highest level of decision-making. Based on our research experience in the past decade and insights shared by other peers in the field, we think that **the GED grant has been the largest external funding made available to MoCA in history that allowed more flexibility for the policy-entrepreneur-minded MoCA officials to explore various policy options and to mobilize for policy advocacy within government.** The MoCA officials who have been in charge of the GED project from the beginning have all been promoted in the past few years.<sup>30</sup> These are clear signs from the higher leaders' recognition of MoCA's "political accomplishment" (*zhengji*) and acceptance of MoCA's position on how to move forward with social management reforms.

Using the GED funds, MoCA has sponsored a significant number of research plans, expanded the research community and the scale of knowledge dissemination, and built the mutual communication mechanism with the research community. First and foremost, MoCA reached out to bureaucrats and governmental agencies that were perceived as the most relevant, most important and potentially most sympathetic to any policy recommendations that they would raise in future. It is important to recognize that **the GED Project has enabled MoCA to identify and start building a network of potential policy allies within the state system.** Smart and ambitious Chinese bureaucrats know that it is extremely necessary to form solid inter-departmental networks before any moves to change policies can be made. During our meeting in February, MoCA officials shared with us proudly that many other ministries and bureaucrats who used to ignore invitations from them had become excited about joining GED related activities and study tours.

It is extremely hard to assess whether there are any kind of genuine normative changes among the MoCA officials and bureaucrats from other ministries. However, during our meeting and informal chats, MoCA officials mentioned often that they "learned a great deal" throughout the implementation of the GED Project. When they began the research grant program for CSOs, they opened it for any themes. But, very quickly, with growing knowledge on topics themselves, they modified the grant scheme to a "custom design" style and started looking for the proposals that seemed to be most necessary according to their own policy and administrative needs.

With the GED grant, MoCA has successfully constructed a new "policy arena" for China's civil society—CSO management. Moreover, MoCA has gradually built up a critical mass, a network

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<sup>30</sup> MoCA GED project managers proudly told us that the Registration Bureau is now recognized as the "No.1" bureau within the Ministry.

of concerned bureaucrats, experts, and practitioners interested in the topic, who are want to expand this policy arena and mainstream some of the related ideas. This critical mass is crucial when it comes to pushing for policy changes from within the state.

## **B. Direct and Indirect Impact on Legal and Policy Environment**

It has not been easy for scholars to identify all the input points in the policy-making process and find the most influential one in Chinese politics in general. In practice, there is probably no single influential input but a conglomeration of many interconnected factors. Thus, we find it more meaningful to demonstrate how the GED Project has affected the legal and policy environment as a whole in CSO management rather than to pinpoint which activity led to which possible policy modification or make arbitrary projections about the causality between facts.

**We think the GED Project has contributed in substantial ways to improving the policy environment for better regulations in the CSO sector for at least three reasons.** First, the project has familiarized a large number of civil affairs officials and those in other sectors about the concepts and practices associated with CSOs, and generated pertinent discussions among them. Such is necessary preparatory work for any further policy changes in the field and enhances the capacity of MoCA officers to present their own opinions on issues during law and policy-making rounds. **MoCA's readiness to advocate for changes in the existing regulatory framework is surely the most important improved element in the policy environment for CSOs.**

Second, attitude changes among MoCA officials and their peers at the ministry-level provide impetus for change in attitudes among the provincial and local civil affairs bureaucrats. Experiments in new ways of government-CSO cooperation sponsored by MoCA will ease the uncertain feelings and unnecessary worries at the lower levels. As a visit to Shenzhen indicated, sharing of experiences at the local level is part of MoCA's promotion efforts – officials said that they barely had time to do their own work because they were hosting delegations from so many different localities. Although opportunities for such sharing existed prior to the GED Project, they have been greatly scaled up with the additional funding available. Promotion of CANPO and successful experiences of some pilot projects will encourage more innovative reforms at the local level in other places, hopefully in the western provinces.<sup>31</sup>

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<sup>31</sup> A large-scale meeting was held in Tianjin on 11 May 11 2012 to discuss and exchange views on different practical experiences with direct registration of CSOs. MoCA officials from provinces and municipalities throughout China attended the event. For more information see <http://www.chinanpo.gov.cn/1938/53611/index.html>.

Third, all the study tours, training sessions and forums designed for more inter-departmental exchanges between MoCA and related ministries will in the long run generate crucial momentum to enhance political legitimacy of CSOs in general within the state system.

### **C. Direct Impact on CSOs**

Ideally, if CSOs can take up the lead in policy changes in future and articulate what they want directly with policy makers, the kinds of changes generated will be more long lasting and reflective of their needs. Therefore, it is important to assess whether the GED Project has made any particular effort to help CSOs directly to build up their policy advocacy muscles. **We have found sufficient evidence that the GED Project has both supported individual CSOs in capacity building and created more development opportunities for the whole community in general through activities of knowledge sharing, training, grant-making, and showing political support.**

On the other hand, the slowness of the policy process and the lack of continuity with regard to access to simplified registration processes across China have brought complaints from many CSOs and donors. The fact that there continue to be so many unregistered CSOs is clearly an indication that they are finding it difficult to obtain legal status. For example, many complaints were heard in 2010 about the vaunted “hub” registration program in Beijing Municipality. This suggested that many grassroots CSOs do not yet have adequate capacity to manage funds, carry out projects, etc. Without support going to grassroots CSOs, inclusive social management will be impossible.

In addition, and this is a critical failure of the Project, we have also not been able to see specific documentation of training on policy advocacy or policy research designed for CSOs. This will be a suitable area for relevant parties to emphasize as they develop a new project in the future. Only by addressing such issues will grassroots CSOs be able to fully participate in social management in an inclusive manner.

### **D. Impact on State-CSO Relations**

One of the most remarkable accomplishments of the GED project is its experiment in innovative forms of government-CSO interaction, such as the bi-monthly CSO Forums. It is not rare for Chinese CSOs to get together and share information. In fact, it is one of the most important activities CSOs engage in and see as crucial to their survival and success in work. However, **it is rare for CSOs to be invited formally by state agencies to participate in forums, to be**

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**regarded as equal partners and asked for their true opinions on what to do.** In addition, the GED forums seem to have given CSOs valuable political and morale support.

Moreover, **CANPO sets up a good model for provincial and local civil affairs bureaus to follow and to try to institutionalize and normalize the communication directly between CSOs and registration agencies.** According to CANPO's records, more than 2 dozen provinces now have established provincial-level associations of non-profit organizations, but some of these existed before the GED Project. Not an administrative unit itself, CANPO certainly cannot lead these provincial associations, but it can mobilize them in other ways as most of them are now formal members of the national organization. If they are effective, these associations can play an important role in launching collaborative initiatives at the local level with genuine grassroots associations and can thus contribute to the overall change in government-CSO relationship in terms of inclusive social management in the long run.

## **VII. FUTURE BENEFITS AND CHALLENGES**

### **A. Benefits**

The civil affairs sector, related ministries, and the state in general are more familiar with the concepts and practices of CSOs than they were four years ago. Such a higher level of familiarity could help not only introduce policy changes in CSO management, but also possibly mainstream the importance of CSO in social policies. The fact that the 12<sup>th</sup> Five-Year Plan says that CSOs are supposed to play a strong role in social management, mediating between the state and society, suggests that the opportunities for them to be active in this regard will only increase in the future. There will be challenges in implementing such policies at times of political uncertainty, and this must be reflected in future planning by the GED funders and administrators and MoCA. Yet, the realization by MoCA that there need to be more efforts to inform the government as a whole and the general public about civil society seems have generated a real adherence to principles of openness and transparency. It did hurt the sector and its regulators to have so many scandals in 2011, but in many ways it helped to raise awareness of the ordinary person about civil society (the reactions of netizens to Guo Meimei Scandal were quite significant). Thus, as MoCA sought to tamp down outrage, it also indicated that it would take more steps to ensure that charities did not continue to behave badly. While there is evidence that giving is still down below 2010 levels, it is clear that nationally broadcast events such as the Charity Awards and the upcoming Charity Fair attract a lot of attention.

With recently enacted notifications and temporary policy measurements, the CSO field by large

enjoys a friendlier political and policy environment, even though whether that is entirely true at the daily managerial level in every province/sector needs remains to be better researched. This research should be carried out in order to ascertain whether problems are systemic or merely due to bureaucratic reluctance to change.

The recent decision to allocate 200 million RMB of the central fiscal budget to MoCA for specific grant making to CSOs in service delivery will have wide budgetary implications at provincial and even local levels.<sup>32</sup> It is expected that most provincial governments will start allocating a specific budgetary category to fund CSOs in near future. Some, such as the Guangdong Province, have already done so.

The significant number of research outcomes and publications completed during the GED project will continue to serve the community of CSO practitioners, administrators, and researchers. The Social Organization Management Journal and the government-CSO forums will be carried on and enhance professional development within the MoCA sector. All relevant actors and agencies will continue to benefit from GED's effort in accumulating and disseminating information and knowledge.

Books and other research reports may, however, have a limited shelf life. For example, much of the published research under the GED project will be outdated as soon as the new national regulations are promulgated. Further, some complaints about the training manuals indicated that they were too theoretical and needed to be drafted by people with more practical experience. Both of these things will need to be borne in mind as continuing programming for CSO and administrative capacity building is developed.

## **B. Challenges**

The policy and regulatory challenges to having more grassroots CSOs participate actively in inclusive social management are as yet unclear. If MoCA is successful in having the three regulations promulgated by the State Council lead to direct registration for all types of CSOs, it would be a major step in the right direction. That would mean that not only those that engage in charity and public welfare, as well as sports, and business and trade organizations would have this avenue available to join the ranks of registered organizations. It would mean MoCA taking on the politically risky task of registering organizations that Minister Li Liguang recently referred to as "political or human rights CSOs." He limited such organizations to ones that have social and

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<sup>32</sup> The decision on allocation of the funds was made by the end of April. 400 CSOs have been granted with funding to expand their existing social service delivery. Around 400 CSOs, especially those based in Western China, received the funding. [seems not to have taken place]

economic development as their goal,<sup>33</sup> but it is clear that many such organizations will be clamoring to register when the rules change.<sup>34</sup>

On the other hand, it is unclear whether the changes will be implemented soon and thus the current uneven policy implementation will prevent inclusive and participatory activities by CSOs in place that need them most, such as the impoverished Western provinces. Thus, as time goes on this challenge must be identified by MoCA and policies put in place to avoid regional disparities. Inclusive social management means inclusion, and that means that finding ways to build strong local capital in all parts of China must be a strong goal.

MoCA and all supporting parties need to continue to be innovative and experimental with a view to expanding the “comfort zone” at all levels (national, provincial, and local) when interacting with, fostering, and mentoring CSOs. It is highly recommended that MoCA continues to make efforts and take proactive measures to search for suitable grassroots CSOs in future project collaboration and for consideration in the process of grant making. This may well involve MoCA in more training of CSO TOT programs.

Of necessity it also means that MoCA officials at the local level must be trained to oversee projects rather than implementing them. This means a role reversal for some officials and they may be resistant. In addition, it will mean that they need to listen to effective advocacy by specialized CSOs working in certain service delivery fields. These two paragraphs identify aspects of future programming that deserve integrated approaches.

The gap in cognitive and normative acceptance of CSOs between MoCA and local levels of bureaucracies (both civil affairs and tax) is obvious and remains large at present. MoCA needs to continue to familiarize and train local civil affairs officials and engage in effective dialogues to prepare them to implement new policies in their daily work under the new registration regulations. They may also need to be trained to work with local SAT officials on the fair and consistent implementation of favorable tax policies throughout China.

It might be necessary for MoCA to develop some monitoring mechanism so as to discover the typical inactive, or even unfriendly, behaviors of local civil affairs officers towards CSOs. One thing that MoCA might advocate for is the creation of an evaluation criterion related to CSO development for local and provincial officials. MoCA also needs to develop ways to correct bad

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<sup>33</sup> See:

<http://www.zhghpl.com/doc/1021/0/0/5/102100556.html?coluid=45&kindid=0&docid=102100556&mdate=0508090027>

<sup>34</sup> An example of an organization that engages in both service delivery and advocacy is the famous China Dolls.

behaviors by either positive or negative incentive mechanisms.

The emerging funding opportunities offered by the central fiscal budget could be a double-edged sword, if poorly administered. In other public policy sectors, such as AIDS prevention, a sudden increase in funding and lack of consensual and transparent grant making mechanisms have led to unhealthy and excessive competition and mutual distrust among CSOs.<sup>35</sup> Therefore, it is important for MoCA to consult experts and build up a consultative team to help administer the grants made out of the 200 million RMB fund in order to ensure they are properly spent; this will create a positive and collegial atmosphere for grassroots CSOs and potential grantees in future. It would also be an opportunity for MoCA to involve CSOs in other aspects of the grant making process, such as design and evaluation, which is critical to inclusive management.

This suggests a specific focus – building capacity for grassroots CSOs, especially as it concerns advocacy. There are so many good examples to draw on, and once some of these CSOs are registered, they can be used as models for other new and growing CSOs.

CANPO has taken a leading role during the course of the GED Project in administering the small grants to CSOs, and also in encouraging provincial civil affairs bureaus to set up provincial-level CSO associations. However, CANPO's current director still holds a formal governmental position, and it is not certain how he is going to lead the association and which direction he would like to take it forward. Whether it will move towards more autonomy and function more like a CSO itself is hard to tell. **It is also not clear whether provincial CSO associations will continue to receive support from CANPO, and in turn, become anchors for CSOs at local levels.** With stronger local CSO associations, CANPO can better access information of grassroots CSOs. But it remains to be observed what CANPO will do with such information and a group of capable local grassroots CSO associations.

## VIII. CONCLUSIONS

In conclusion, it is important to state that the GED Project is groundbreaking in the sense of being a first multilateral effort to directly engage MoCA for the purpose of improving China's regulatory framework for civil society development and CSO management. The multilateral nature proved to be helpful to gain the state's trust and ensure its commitment. The involvement of the UN system as a supporter of the program was key to its effectiveness because the UN's worldwide expertise and focus on development create considerable confidence in national

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<sup>35</sup> Hildebrandt, T., Development and division: the effect of transnational linkages and local politics on LGBT activism in China, *Journal of Contemporary China*, Vol 21 (2012).

governments around the world, including the government of the People's Republic of China. The GED Project team's commitment to fully support MoCA's self-driven initiatives and activities has turned out to be an important reason for the Project's healthy trajectory and smooth implementation.

There are four aspects in the implementation of the project that deserve emphasis. One is the way in which the project created a valuable set of resources for civil society including both theoretical research and practical training for basic capacity building. A second is the actual creation of a more enabling legal environment for CSOs in China. The third is the increase in MoCA's capacity during the years of the project. The final point is one that needs more focus in the future – building capacity for policy advocacy for CSOs. These are analyzed in turn.

The project's strength at one level lies in the accomplishment of a significant amount of quality research and publications, innovative experiments in government-CSO collaborations, and the development of a new and broader network of civil society researchers throughout China.<sup>36</sup> This will have a multiplier effect as time goes on. More academics will teach more students who will in turn inform others. This will also trickle down to secondary and primary schools through materials created by MoCA and the Ministry of Education (although the primary and secondary education program is outside the GED Project). The enormous impact of this on society down the road cannot be understated. In addition, more CSOs staff members will be trained in effective management through training and TOT programs initiated under the project.

Pilot projects for new CSO registration rules are in fact leading to innovation and reform of the legal and policy environment for CSOs in China. Although it cannot be said for sure, the new regulations (expected to be promulgated in 2102, but this could be delayed) will make direct registration a nation-wide effective policy for bringing many unregistered CSOs into the system. This will generate other problems (MoCA needs more money to hire more personnel in order to effectively manage this transition). But it also suggests opportunities for creating local and regional nongovernment mechanisms to assist with the process as time goes on. If MoCA does avail itself of, e.g., sectoral associations as oversight bodies, that will increase the capacity of the society to manage the growth of CSOs in a responsive and transparent manner and those CSOs will be more responsive to the needs of the people at the local level.

The GED Project also generated new momentum for discussions of CSO related policy changes within the highest levels of the state and among relevant ministries. MoCA, through the Project,

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<sup>36</sup> The creation of new centers for civil society and philanthropy research at a variety of universities is indicative of that.



has successfully promoted its own image and popularity within the state system, and woven a network of experts, practitioners and peer official who can be important allies in future policy-making processes. The GED funding has clearly raised the stature of MoCA within the Chinese government. But it must also be remembered that “civil society” is sensitive and there may be times when progress is less certain than it was in the last few years. Furthermore, it is clear that some types of CSOs will not be registered by the government at least in some places, despite recent claims to the contrary.

What remains uncertain after the completion of the GED Project is the gap in both attitude and capacity between MoCA’s National Bureau and some local civil affairs agencies. It will be extremely crucial for MoCA to continue strengthening its outreach to local bureaus, to establish policy implementation mechanisms, and to create incentives for local bureaus to effectively implement new CSO-related policies and regulations. It will also be important for MoCA officials to more effectively relate to SAT officials at the local level.

One way in which the GED Project could have had more impact would have been by focusing on capacity building for policy advocacy. It is particularly important to stress this point when the Project is viewed through the lens of inclusive social management. Although not as successfully implemented in the past, it could be included in a future project by inviting more mature or advanced NGOs/CSOs from both within the country and overseas to train Chinese grassroots CSOs in policy research and advocacy. Instead of merely encouraging MoCA officials to be better prepared for different policy scenarios and to be able to effectuate their opinions on different policy options, the Project could have also tried to train CSOs to do research and provide model policy recommendations. This must be emphasized in the future - developing a capacity for effective advocacy among the CSOs in China is important as more and more CSOs come into existence and begin the process of building social capital at the grassroots.

There is no doubt that China’s politics is undergoing change. And an important element of this large-scale change is bottom-up, legitimate, and effective policy input from the citizens and the civil society in a more socially oriented management of society. More legal assistance and policy advocacy CSOs are emerging in China, and they have offered valuable experience in bringing collective law suits,<sup>37</sup> lobbying local people’s congress representatives, public education and awareness generation, and supplying well-researched policy recommendations. Such experiences are worth sharing so that not only CSOs can do what they want to do in terms of social services but also they can make the link between what they do and what the policy

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<sup>37</sup> An example of this is the Beijing Yirenping Center.

implications will be. Training of this kind will enhance CSOs' political awareness and capacity in contributing to policy discussions in future and to increasing social capital in communities around China. By building on their social capital in communities, CSOs, especially those at the grassroots, will be able to increasingly address unmet needs and enhance critical issues of inclusive social management. In time, it will become apparent that such grassroots organizations, coming as they do from the people, will attract greater influence than GONGOs.

All in all, the GED Project has been remarkably effective. What remains is to create ongoing cooperation among the partners to ensure that the practical impacts and policy changes of the project continue for many years to come.