

Civil Society, Chinese Style: *The Rise of the Nonprofit Sector in Post-Mao China*

by Chao Guo, PhD, Jun Xu, PhD, David Horton Smith, PhD, and Zhibin Zhang, PhD

China's nonprofit sector has long been hampered by government oversight, and unwieldy regulations and a laborious process toward official recognition have led to millions of unregistered grassroots organizations. Now, strictures are loosening—but slowly: the potential for nonprofits to inspire future regime opposition gives the government pause. As we watch the challenges and opportunities unfold, let us be reminded of the importance of maintaining a healthy civil sector.

Editors' note: *It is easy to forget and let lie fallow the great democratic potential of nonprofits in the United States. We have listened for years to U.S. nonprofit leaders bemoan—while overstating—the limits that are placed on advocacy potential, using it as an excuse not to work with their communities to ensure that public policy meets community need. But have we lost perspective on what the value of freedoms exercised regularly really are?*

This article has been on our minds for a while as we tracked the development of civil society in China and the regulatory/political environment in which it has functioned. We urge every U.S. nonprofit leader to read this, because not only is it enormously interesting, it also provides a vivid sense of what we need to protect and use.

IN JULY OF 2012, HUNDREDS OF CHINESE NONPROFITS shared a moment of celebration: China's first-ever charity fair had taken place, in Shenzhen, a south China municipality that aspires to become a "city of philanthropy" and a "city of volunteers." The charity fair had a strong government flavor: it was hosted by the Ministry of Civil Affairs (MOCA) and the local Shenzhen government. This event, along with President and General Secretary Hu Jintao's call for stronger and more creative forms of social management

(and the release of draft guidelines for the development of Chinese philanthropy—a five-year plan for 2011–2015—by MOCA in the previous year), sends a clear signal that the Chinese government is now ready to recognize the tremendous growth of the nonprofit and voluntary sector, and to value its contribution to Chinese society.

Portrayed by some as a "quiet revolution," China's civil society sector has begun to emerge since the government launched its economic and political reforms some thirty years ago. Today,



Federico Cortese

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there are over 460,000 officially registered nonprofit organizations (NPOs) with nearly six million employees, as well as millions of unregistered grassroots organizations.¹ Our aim is to provide a brief introduction to this exciting social movement currently at play in one of the world's great civilizations. We will also share some thoughts on the challenges and opportunities that Chinese nonprofits have as they seek to survive and prosper in a restrictive institutional and resource environment that has recently begun to improve.

The Larger Picture of the Nonprofit Sector in China

The nonprofit sector in China consists mostly of small, local, grassroots associations that are not registered with the government. Recent (rough) estimates of the numbers of such unregistered social organizations (USOs) range from eight million to ten million.² Hence, the roughly 460,000 registered NPOs comprise only a small minority (less than 4–5 percent) of all NPOs when the USOs are properly counted.

The main activities and goals of the USOs focus on recreation and entertainment. Most of these local groups engage in singing, dancing, exercising, martial arts, and other similar leisure activities, often meeting in parks or other open places. Most USOs have at least one formal leader, usually a special (proper) name, and often a register of members. They do not have any offices or paid staff, with all operations taken care of by volunteers.

There are also USOs with no formal leader or group name, and whose regular members simply meet in a certain place at a certain time and perform their activities. One such group, for instance, meets some evenings on a particular street corner in Beijing to demonstrate how to keep a decorated stick in the air using one or two other decorated sticks. Similar informal groups of card players, domino players, and mahjong players can be seen in many indoor and outdoor locations around China. Some USOs have more instrumental goals, including informal discussion or advocacy, but these are much rarer.

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USOs or their members simply for existing. In this sense, there is some *de facto* freedom of association in China today—if not, at present, *de jure* (by law). However, the government is considering performing closer monitoring of these USOs.

Pathways to Recognition and Registration

Chinese nonprofits, especially the officially registered ones, do not fit neatly into the definitions of nonprofit organizations commonly used among Western scholars and practitioners. According to the current classification system developed by MOCA, the more than 460,000 officially registered NPOs fall into three broad categories:

1. “Social organizations,” which include economic groups (trade unions and chambers of commerce, etc.), social groups (social clubs, research organizations, hobby groups, etc.), religious groups, and membership-based public-benefit organizations;
2. “Private non-enterprise organizations,” which include nonprofit schools, hospitals, and social service organizations, among others; and
3. “Foundations,” which include public fundraising foundations (such as Soong Chingling Foundation, China Foundation for Poverty Alleviation, etc.) and non-public fundraising foundations, often referred to as private foundations.

While the majority of NPOs do serve a public- or mutual-benefit purpose, these registered nonprofits vary in the extent to which they are autonomous and voluntary. In fact, many nonprofit organizations currently registered with MOCA are actually “government-organized non-governmental organizations” (GONGOs). Nearly all of the national associations are GONGOs, as are many NPO service agencies. There are also many organizations *not* included in the 460,000 registered NPOs noted above that operate on nonprofit principles but are registered as for-profit businesses, as in the case of some private schools and social welfare NPOs. NPO founders have frequently taken this path because the formal MOCA registration process is difficult to get through in a timely manner, if at all. Becoming a registered business is much faster and simpler,

and allows NPO leaders to get on quickly with their desired service delivery to people in need in a legal manner. There are no formal statistics on how many registered businesses are NPOs “in disguise,” but estimates suggest there are probably some hundreds of thousands in all of China.

To a great degree, this lack of autonomy from government can be attributed to the restrictive regulatory, political, and economic environment in which these organizations operate. In particular, under the current legal framework, a dual-control system requires that most nonprofit organizations not only register with MOCA but also be affiliated with and supervised by a government agency in its functional area. This policy of government registration and functional affiliation effectively sets entry barriers and thus seriously hinders efforts to establish nonprofit legal entities.

Only a small minority of all NPO founders seek formal registration with MOCA, with most such founders not wishing to get involved in protracted bureaucratic procedures for their small leisure-activity groups. Recent research suggests some interesting pathways to recognition taken by NPO leaders who desire government recognition. The first step toward recognition is to approach MOCA at some territorial level—usually the local district. There are branches of MOCA at various territorial levels of government, from the central government in Beijing to provincial, municipal, district, and sub-district (“street”) levels. Authoritative decisions regarding NGO registration are usually made at the district level or higher. The most common initial government (MOCA) reaction to NPO founder queries or to full NGO registration applications reported by our interviewees was no formal reaction (hence, inaction) for many months, often more than a year. NPO founders usually saw the MOCA officials as delaying or ignoring requests and queries.

After receiving no official response by MOCA for many months or longer, some NPO founders choose to give up, and their NPO dies, “stillborn.” However, a persistent NPO founder who desires formal recognition has two main options left:

1. Registering with the Industrial and Commercial Administration Bureau as a for-profit company; or

2. Seeking patronage or sponsorship by a GONGO, government-registered NPO, or hub-type NPO.

The perceived inaction by MOCA leads many NPO founders to choose the pathway or option of registering with the Industrial and Commercial Administration Bureau for for-profit status and thus government recognition in order to get on with their operations. A few prominent examples include Beijing Stars and Rain (China’s first nonprofit educational organization committed to serving children with autism) and the Beijing Maple Women’s Psychological Counseling Center. Unfortunately, such for-profit status brings many serious limitations that hamper NPO efficiency and effectiveness. As a result, very large numbers of Chinese NPOs registered as pseudo for-profit companies have much less of a beneficial social impact than they would had they been allowed by the government to officially register as NGOs.

There is also an informal substitute for MOCA registration: patronage/sponsorship. Recently, some quasi-governmental alternatives to MOCA NPO registration have emerged:

1. The Communist Youth League of China (CYL), a quasi-governmental organization affiliated with the ruling Chinese Communist Party, recognizes selected youth NPOs, including student groups at universities;
2. In certain major cities, the municipal volunteer federation (for example, Beijing Volunteer Federation) has hundreds of unregistered NPO “members” (organizational members or affiliates); and
3. Other hub-type GONGOs in major cities recognize selected NPOs as affiliates (for example, Beijing Municipal Federation of Trade Unions, Beijing Women’s Federation, Beijing Association for Science and Technology, Beijing Disabled Persons’ Federation, etc.).

Over the course of a year or more after application to MOCA for formal NPO recognition, some NPOs are sanctioned after a kind of trial period in which they demonstrate their usefulness and “inoffensiveness” (i.e., nonpolitical activity). MOCA invites some NPOs registered as businesses to become registered NPOs, and does the same for

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some sponsored/patronage NPOs, though only rarely for USOs. The number of NPOs taking this special pathway seems to be relatively small.

The selective encouragement by MOCA of certain for-profit NPOs or sponsored NPOs to register as NGOs after a period of observation occurs too late and too infrequently to do justice to all of the positive energy of China's millions of social entrepreneurs and NPO founders, especially USO founders, let alone the tens of millions of potential volunteers for these NPOs. This current situation constitutes a great loss of potential services for Chinese society and the Chinese people as they strive for betterment. The magnitude of this loss has not yet been accurately estimated but is likely huge.³

Ongoing Struggles after Formation

For those organizations that manage to find a qualified and willing supervisory government agency in order to register with MOCA, the battle is far from over. The dual-control system continues to have an impact on nonprofit governance and management because it leads to excessive government intervention and at the same time provides ineffective supervision. Many grassroots organizations, especially those that intend to advocate for the public interest, are under heavy scrutiny and regulation from the government.

As findings from our own research show, advocacy organizations operate in a more suppressive institutional environment than other NPOs: they are more heavily regulated and closely monitored by the politically conservative government. Besides the various legal and regulatory constraints that apply to all types of nonprofits, the government is especially concerned about the possible disruptions that nonprofit advocacy work might cause to the current regime, and, as a result, many advocacy organizations find themselves operating under strict government scrutiny and their resource base undermined by the inaccessibility of government funding and restrictions on fundraising. The situation is further complicated by supervisory agencies that are sometimes skeptical about the motives of the organizations and often intervene in their program activities. Not surprisingly,

these advocacy organizations tend to keep their supervisory agencies at arm's length.

In contrast, service agencies face relatively more favorable institutional and resource environments. First, these organizations receive less government scrutiny and have a less constrained resource base. The government welcomes the fact that nonprofits are assuming more responsibility for providing social services, and it is willing to provide some financial support. Second, the favorable institutional environment is often marked by a supportive supervisory agency, which will consistently provide political, financial, personnel, and other assistance for the organization's development and expansion. Therefore, service-oriented organizations likely develop a closer working relationship with their supervisory agency.

A second serious challenge that these organizations must confront are strict donor rules. According to the Regulation on the Administration of Foundations, issued in 2004, only a few government or government-sponsored foundations, such as the Red Cross Society of China and China Charity Federation, are allowed to raise funds from the public. In addition, the government offers few effective tax incentives for donors. These rules and governmental regulations force Chinese nonprofits to rely on government subsidies, earned income strategies, and foreign funds to finance their operations and activities, jeopardizing their efforts to grow the organization and increasing the risk of mission drift and losing touch with the community. The good news is that several local jurisdictions (such as Shenzhen and Guangzhou), with blessings from MOCA, have recently experimented with opening the public fundraising market for charitable organizations. In January of last year, the One Foundation, established by martial arts superstar Jet Li, registered with the Shenzhen government and became the very first independent public fundraising foundation in China. Prior to that, the foundation had to be run as a special project under the Red Cross Society of China in order to be granted permission to conduct public fundraising campaigns.

In addition, MOCA regulations allow an organization to operate only in the local jurisdiction where it is registered, prohibiting establishment

of branch organizations in other areas. Such regulations make it difficult, if not impossible, to extend the services and influence of an organization beyond its local jurisdiction even when circumstances call for more widespread operations. In a case study on a grassroots organization in Shanghai, the organization's proposal to implement a post-disaster reconstruction program to serve victims of the 2008 Sichuan earthquake was stopped by its supervisory agency. The agency's rationale for intervention was that the proposed program would fall outside the scope of the organization's legally defined geographic service area, which was the local jurisdiction where it was registered (i.e., a local district in Shanghai).⁴

The Road Ahead

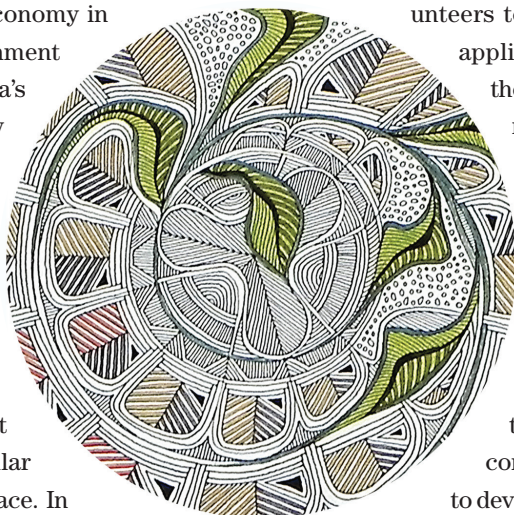
All of the many NPOs whose founders and leaders we interviewed were fully dedicated to providing socially beneficial services, as nonprofit service agencies or associations, in selfless devotion and in a conscientious attempt for the betterment of Chinese society. The interviewees began their work in developing NPOs as volunteers, giving their time altruistically to help their community and the larger society. Perhaps Chinese NPO leaders can find more effective ways to demonstrate to MOCA the positive social value of the nonprofit sector in China. Certainly, there are persuasive arguments for sturdier government support.

The Chinese "economic miracle" of the past few decades occurred in large part because the government decided to allow more "free market" activity in the Chinese economy in parallel with such government central planning as in China's heavy industry. It is likely in China's interest now to pursue a parallel development strategy for the nonprofit, or social organization, sector, where, if the government embarked on fostering more "free nonmarket economy" activity, a similar renaissance could take place. In other words, the same approach used

in the past three decades for the economy could be used to foster nonprofit sector expansion—perhaps more government-controlled GONGOs, but especially many more independent and grassroots nonprofit service agencies allowed to register as NGOs. (Many true NPOs now registered as for-profit companies could be asked to re-register as NPOs after screening by MOCA.) Some key arguments are as follows:

- The nonmarket economy (nonprofit sector) can employ many more paid staff if it expands substantially. This will relieve pressure regarding new jobs in China, as there will likely be some cutbacks in the manufacturing sector given the prospect of some future years of global recession. And, expanding jobs in the service agencies of the nonprofit sector will significantly help with jobs for young people, especially college graduates, who aspire to become nonprofit leaders and change agents with a strong commitment to making a difference in the community.
- The expanded nonprofit sector service agencies can generate revenue and deliver a wide variety of useful services, with corresponding substantial savings to the budget of the government, because government agencies would otherwise have to supply those services at higher costs. (It should be noted that the independent nonprofit sector infrastructure organizations that provide training for NPO founders/leaders would still need government funding for such matters as linking of volunteers to NPOs that need them; applied research to improve the efficiency and effectiveness of NPOs; and websites that provide usable knowledge for NPO and volunteer program leaders.)
- Current President and General Secretary Hu Jintao recently stated the importance of social construction as China seeks to develop a harmonious society based on socialism with Chinese

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The current freedom under which USOs operate is a positive sign of some genuine civil society, though hampered by the technical illegality of USOs and the prohibition of NPO political activities. Hopefully, the government will eventually rescind the law that makes all unregistered NPOs (USOs) illegal simply for existing. . . .

characteristics. New ideas are being sought from the people and party leaders regarding how to combine economic, political, and cultural development simultaneously. The party urges people to consider social development very seriously—new social forces to address new social problems in China as a continuation of social reform. In order to successfully address these issues, new social institutions are needed. The nonprofit and voluntary sector can play a vital role in China's social development, and NPOs have a key role to play in this ongoing social reform and construction. By NPOs we mean not only government-registered NGOs but also NPOs registered as for-profit companies, as well as the much larger number of NPOs with no formal registration at all—not even as “legal persons.”

- The party guides the people of China toward new social reforms, but the people lead. One aspect of this leadership by the people is the set of new ideas for social services and activities embodied in NPOs, both new ones and existing ones, both registered and informal. New ideas come from party and government leaders directly concerned with the nonprofit sector, too—particularly MOCA.

Our general recommendation is that it is important to try to reenact the Chinese economic sector “miracle” of the past thirty years in the nonprofit sector. This reenactment can be encouraged by focusing on the variety of useful social services provided by a myriad of registered and unregistered (informal) NPOs, new and old, that encourage and utilize the vast reservoir of altruism in Chinese NPO founders, leaders, paid staff, and volunteers.

Concluding Remarks

Though still young and fragile, the emerging nonprofit sector in China in the past twenty to thirty years has clearly demonstrated its potential in providing social services and leisure activities, as well as influencing public policy. The Chinese party-state has begun to see the value of NPOs for serving the needs of China's large population in ways that the government cannot do or chooses not to do any longer. However, the government is “going slowly,” having mixed feelings about

NPOs given their potential for stimulating future opposition to the regime. Future successes with government NPO-contracting and privatization of government service activities, especially in the absence of significant regime opposition by NPOs, are likely to strengthen these trends in the next decades.

Scholars dispute whether China's nonprofit sector constitutes a genuine civil society, given the strength of government control, limitations on political activity, and interventions in NPO activities and goals by the current authoritarian regime. Much progress has been made since the totalitarian period under Mao, but much future change is still needed to achieve a valid civil society, given the usual definitions of this latter term. The current freedom under which USOs operate is a positive sign of some genuine civil society, though hampered by the technical illegality of USOs and the prohibition of NPO political activities. Hopefully, the government will eventually rescind the law that makes all unregistered NPOs (USOs) illegal simply for existing, and focus legal restraints on NPO activities that are actually harmful to people.

NOTES

1. Tuan Yang, ed., *Zhongguo cishan fazhan baogao* [Annual Report on China's Philanthropy Development] (Beijing: Social Sciences Academic Press, 2012), 1.
2. The eight-million estimate came from the following source: Keping Yu, “Dui Zhongguo gongmin shehui ruogan wenti de guanjian” [“Opinions on Several Issues Concerning Chinese NGOs”], in *Zhongguo gongmin shehui fazhan* [Blue Book of Civil Society Development in China], eds. Bingzhong Gao and Ruijun Yuan (Beijing: Beijing University Press, 2008), 243; the ten-million estimate came from the following source: Zhenyao Wang, “Basic Challenges Faced by the Third Sector and Public Governance: The Coming Age of Modern Philanthropy and Social Construction,” a paper presented at the Conference on the Third Sector and Public Governance, sponsored by the Capital University of Economics and Business, Beijing, China, May 22, 2011.
3. This section draws on the following article: Jun Xu and David H. Smith, “Legitimacy Pathways Theory:

How Nonprofit Organizations in Post-Mao China Seek Acceptance by the Government” (Chestnut Hill, MA: Dept. of Sociology, Boston College, 2012; unpublished paper under editorial review).

4. This section draws on the following article: Chao Guo and Zhibin Zhang, “Mapping the Representational Dimensions of Non-profit Organizations in China,” *Public Administration*. Published electronically December 12, 2011.

FURTHER READING

David H. Smith, “Review and Assessment of China’s Nonprofit Sector after Mao: Is It ‘Civil Society’ Now and Does That Matter?,” 2012. (Chestnut Hill, MA: Dept. of Sociology, Boston College; unpublished paper under editorial review).

Zhibin Zhang, Chao Guo, and Dongjin Cai, “Governing Chinese Nonprofit Organizations: The Promise and Limits of the ‘Third Way,’” *International Review of Public Administration* 16, no. 1 (2011): 11–30.

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