

Research Series on the Chinese Dream
and China's Development Path

Ming Wang *Editor*

A Discussion on Chinese Road of NGOs

Reform and Co-governance by Society



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Research Series on the Chinese Dream and China's Development Path

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Drawing on a large body of empirical studies done over the last two decades, the *Research Series on the Chinese Dream and China's Development Path* seeks to provide its readers with in-depth analyses of the past and present, and forecasts for the future course of China's development. Thanks to the adoption of Socialism with Chinese characteristics, and the implementation of comprehensive reform and opening, China has made tremendous achievements in areas such as political reform, economic development, and social construction, and is making great strides towards the realization of the Chinese dream of national rejuvenation. In addition to presenting a detailed account of many of these achievements, the authors also discuss what lessons other countries can learn from China's experience. This series will be an invaluable companion to every researcher who is trying to gain a deeper understanding of the development model, path and experience unique to China.

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Series Preface

Since China's reform and opening began in 1978, the country has come a long way on the path of Socialism with Chinese Characteristics, under the leadership of the Communist Party of China. Over thirty years of reform efforts and sustained spectacular economic growth have turned China into the world's second largest economy and wrought many profound changes in the Chinese society. These historically significant developments have been garnering increasing attention from scholars, governments and the general public alike around the world since the 1990s, when the newest wave of China studies began to gather steam. Some of the hottest topics have included the so-called China miracle, Chinese phenomenon, Chinese experience, Chinese path, and the Chinese model. Homegrown researchers have soon followed suit. Already hugely productive, this vibrant field is putting out a large number of books each year, with Social Sciences Academic Press alone having published hundreds of titles on a wide range of subjects.

Because most of these books have been written and published in Chinese, however, readership has been limited outside China—even among many who study China—for whom English is still the lingua franca. This language barrier has been an impediment to efforts by academia, business communities, and policy-makers in other countries to form a thorough understanding of contemporary China, of what is distinct about China's past and present may mean not only for her future but also for the future of the world. The need to remove such an impediment is both real and urgent, and the *Research Series on the Chinese Dream and China's Development Path* is my answer to the call.

This series features some of the most notable achievements from the last 20 years by scholars in China in a variety of research topics related to reform and opening. They include both theoretical explorations and empirical studies, and cover economy, society, politics, law, culture, and ecology, the six areas in which reform and opening policies have had the deepest impact and farthest-reaching consequences for the country. Authors for the series have also tried to articulate their visions of the “Chinese Dream” and how the country can realize it in these fields and beyond.

All of the editors and authors for the *Research Series on the Chinese Dream and China's Development Path* are both longtime students of reform and opening and recognized authorities in their respective academic fields. Their credentials and expertise lend credibility to these books, each of which having been subject to a rigorous peer-review process for inclusion in the series. As part of the Reform and Development Program under the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China, the series is published by Springer, a Germany-based academic publisher of international repute, and distributed overseas. I am confident that it will help fill a lacuna in studies of China in the era of reform and opening.

Xie Shouguang

Preface

This is a symposium reflecting the current views of the author, which has included papers, commentaries, and policy recommendations I have written during the past year regarding the development and reform of NGOs in China. I really hope that through this symposium, readers in the English-speaking world can not only understand the status quo and the latest development in the research into NGOs in China, but also gain an insight into the NGO-centered social reform in China.

In the current China, NGO has become the bellwether in the drive of comprehensively deepening social structural reform. In China's discourse system, NGO has now been translated as "social organization," a term considered to be better catering to the needs of reform in China. In fact, it has no major difference with NGO in terms of either connotations or extensions. Therefore, the term NGO will be uniformly used in this book. When it comes to this term, I am obliged to mention with pride the NGO Research Center of Tsinghua University (NGORC) I set up 16 years ago, which, perhaps the first of its kind in China, has now become an important think tank in promoting social structural reform centered on NGO. The center has not only been deeply involved in the innovation of relevant policies, systems, and legislation of governments from the central to the local level. It also has students all over the country, with batches of young scholars who remain active in the forefronts for research and practice in relation to NGO. Someone has jokingly called them "disciples of an eminent academy," which I would readily accept as well, taking it as an encouragement for me to continue to guide more newcomers to engage in the research into NGOs in China.

During the two years ever since the 18th National Congress of the Communist Party of China (CPC), "earthshaking" would be a word well-sufficient to describe the variety of historic opportunities for NGO development in China. Last year, when I expressed my feelings with "spring has come!" at a Harvard Forum during my summer vacation tour to the USA, someone had challenged "couldn't it be an early spring?" At this moment, I want to say that this spring has taken roots and spread out luxuriant branches, so to speak, China has opened a new historical chapter in social structural reform.

When writing this foreword, I have just returned from a biweekly consultative seminar presided over by Yu Zhengsheng, Chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), which is themed "Let NGOs play a better role in social governance." At the seminar, fifteen members of the CPPCC and three experts delivered a speech and many leaders of ministries and commissions of the central government including Minister of the Ministry of Civil Affairs attended the seminar. I have appealed to the seminar to make legislation for NGO, which was met with active response. After the seminar, when forwarding a news flash, the Ministry of Civil Affairs had used the wording of "glad tidings," predicting that legislation for NGO would be launched in the near future since appeals on this regard were supported by the policy-makers.

The views in this book merely represent reflections and suggestions by a scholar in this era of reform, though not mature enough, nor far from academically profound, and in some cases still open to changes. I believe that, born into this age, we are bound to be shouldered with our mission, and to some extent, this book is an embodiment of such mission of the age as I have understood. China is undergoing changes, and we are witnessing and advancing such long-awaited changes.

Beijing, China
July 2014

Ming Wang
On a flight of Air China from Beijing to Chengdu

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After a relatively short gestation period, the *Research Series on the Chinese Dream and China's Development Path* has started to bear fruits. We have, first and foremost, the books' authors and editors to thank for making this possible. And it was the hard work by many people at Social Sciences Academic Press and Springer, the two collaborating publishers, that made it a reality. We are deeply grateful to all of them.

Mr. Xie Shouguang, president of Social Sciences Academic Press (SSAP), is the mastermind behind the project. In addition to defining the key missions to be accomplished by it and setting down the basic parameters for the project's execution, as the work has unfolded, Mr. Xie has provided critical input pertaining to its every aspect and at every step of the way. Thanks to the deft coordination by Ms. Li Yanling, all the constantly moving parts of the project, especially those on the SSAP side, are securely held together, and as well synchronized as is feasible for a project of this scale. Ms. Gao Jing, unfailingly diligent and meticulous, makes sure every aspect of each Chinese manuscript meets the highest standards for both publishers, something of critical importance to all subsequent steps in the publishing process. That high-quality if also at times stylistically as well as technically challenging scholarly writing in Chinese has turned into decent, readable English that readers see on these pages is largely thanks to Ms. Liang Fan, who oversees translator recruitment and translation quality control.

Ten other members of the SSAP staff have been intimately involved, primarily in the capacity of in-house editor, in the preparation of the Chinese manuscripts. It is time-consuming work that requires attention to details, and each of them has done this and is continuing to do this with superb skills. They are, in alphabetical order, Mr. Cai Jihui, Ms. Liu Xiaojun, Mr. Ren Wenwu, Ms. Shi Xiaolin, Ms. Song Yuehua, Mr. Tong Genxing, Ms. Wu Dan, Ms. Yao Dongmei, Ms. Yun Wei, and Ms. Zhou Qiong. In addition, Xie Shouguang and Li Yanling have also taken part in this work.

Ms. Liu Xiaojun is the SSAP in-house editor for the current volume.

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Part I

Analysis

Chapter 1

An Analysis of “New Social Policies” and the Realization Path

Ming Wang and Lan Yuxin

Since the Reform and Opening Up, each “third plenary session” of the CPC has been an important meeting at which a new central leadership releases signals for reform, demonstrates administrative policies and work priorities. The Third Plenary Session of the 18th National Congress of the CPC witnessed the proposal of a very impressive new expression for the general objective of comprehensively deepening the reform: “promoting the modernization of national governance system and capacity”. Under such objectives, in the area of social reform it is proposed to “center on safeguarding and improving of the people’s wellbeing and promoting social fairness and justice”, and to “step up efforts to form a scientific and effective social governance system so that our society is full of vigor, but also harmonious and orderly”.

Therefore, the Third Plenary Session of the 18th National Congress of the CPC is featured by a significant transition from “administration” to “governance” in terms of ruling ideology. The core of “promoting the modernization of national governance system and capacity” lies with the readjustment of the relationships between the government and the market, the government and the society, among which social structural reform is a key polar. Social structural reform also stresses “releasing and strengthening vigor of the society”, placing the activation of social forces such as NGOs on an important position and serving the two objectives of people’s wellbeing and order. Looking back into the new actions of the new leadership in social areas ever since the 18th National Congress of the CPC, it can

This paper is written by Wang Ming and Lan Yuxin. Certain parts of the paper, titled “New Social Policies: From Management to Governance”, are published on the magazine *Frontline*, issue 6 of 2014 (volume 227).

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be seen that efforts at social structural reform have become increasingly intensive, and a macroscopic framework are gradually emerging where the three major areas of NGO, social services and social governance are advancing side by side. We may call such reform trends “new social policies”.

1 Conceptualization and Formulation of New Social Policies

“New social policies” are by no means mere empty talk and visionary plans, but responses made by the new CPC leadership based on a judgment of the economic and social development stage and practical needs of China, and also based on the practical experience gained from early explorations in this field by the previous leadership. In 2007, the 17th National Congress of the CPC for the first time included social construction into the “four-pronged” overall layout of politics, economy, culture and society, proposing from the perspective of people’s wellbeing to “pay more attention to social construction, make greater efforts to safeguard and improve people’s wellbeing, and endeavor to ensure that all the people have access to education, employment, medical and old-age care and housing, so as to promote the building of a harmonious society”. At the beginning of 2011, the Central leadership, in response to the increasingly complicated social contradictions and chiefly out of the perspective of social order, proposed to strengthen social construction and reform social management, speeding up the formation of a social management pattern of “Party committee leadership, government responsibility, social cooperation and public participation”. During this period, we have witnessed diversified innovative explorations by all local governments in social services, social management and other areas. These numerous practical explorations have gradually converged into a driving force for macroscopic changes in the social sector, coming into the vision of top-level designers and working their way onto the center stage for deepening reform in China.

The 18th National Congress of the CPC may be regarded as the starting point when “new social policies” came to be conceptualized. The report of the 18th National Congress of the CPC epitomizes and represents the practical experience of the previous leadership, and also reveals for the first time the new strategies and new thoughts of the new leadership represented by Xi Jinping and Li Keqiang. It provides an inkling of such new trends as the Chinese dream, combating corruption and upholding integrity, transformation of governmental functions and social reform. In a reference to social construction, it proposes for the first time to “step up efforts to promote social structural reform”, which has set the underlying tone for the implementation of “new social policies.” Likewise, it proposes for the first time “to speed up the formation of a modern NGO system characterized by separation of government administration and NGO management, well-defined rights and

responsibility and self-governance by law”, which not only establishes the dominant role of NGOs in the governance system, and also echoes today’s “modernization” of “national governance system and capacity”. Meanwhile, in the section of “strengthening and innovating social management”, it proposes to “improve the way in which the government provides public services, strengthen the management and service system for grass-root society, enhance the service functions of urban and rural communities, intensify the responsibilities of enterprises and public institutions and the people’s organizations in social management and services, so as to guide NGOs to develop in a healthy and orderly way and give full play to the fundamental role of the masses in participating in social management”, which even more sufficiently reflects the thought of letting multiple social subjects participate in governance.

Since the beginning of this year, the CPC central committee and the State Council have unveiled a series of programs and plans outlining the gradual launch of “new social policies”. The *Plans on Institutional Reform of the State Council and Transformation of Government Functions* adopted by the National People’s Congress during the “the National People’s Congress and the Chinese People’s Political Consultative Conference (NPC & CPPCC)” as well as the *Notice Concerning Task Assignments for Implementation of the Plans on Institutional Reform and Transformation of Functions of the State Council* by the General Office of the State Council once again underscores and materializes the macro thought of delegating powers to the market and the society. In principle, institutional reform of the State Council deals with the issue of organizational changes of the government itself. The new plans nevertheless lay special emphasis on “reforms of NGO management system” by centering on the relationship among the government, the market and the society. In line with the requirements for the establishment of a modern NGO system, the country will lower the threshold for NGO registration, push on with the disconnection of trade associations from administrative organs and give priority to cultivation and development of NGOs in the categories of industry association/chamber of commerce, technology, public welfare and charity, urban and rural community service. At the end of September, the State Council published *Guiding Opinions on Government Purchasing Services from Social Forces*, part of specific measures aimed to encourage participation by NGOs and other social forces in public services. At the same time, spurred by social needs and innovative incentives, local governments in Guangdong, Yunnan, Zhejiang and Jiangsu Provinces carried out their own pilot programs one after another, in a bid to interpret and extend the connotations of reform in social sector.

The proposal of “promoting the modernization of national governance system and capacity” at the Third Plenary Session of the 11th National Congress of the CPC can be said to have set the macro guidelines for reform in social sector, marking the launch and popularization of “new social policies” braced by top-level designs. A number of new policy developments indicated that “new social policies” are in full swing, ranging from the revision of regulations such as *Rules on Social*

Organization, Rules for Foundation, to the legislation of new laws such as *Rules on Social Service Agency, The Law of Charity*, and all the way to reform of NGO management system, government purchasing service, transfer of government function, innovations in governance system.

2 Connotations of New Social Policies: Three Strategies

What connotations are there in the “new social policies” under the guidance of the concept of “promoting the modernization of national governance system and capability” and what specifically do they include? As discussed above, we hold that the “new social policies” rolled out by the new leadership will serve a dual-purpose of people’s wellbeing and social order. They will take the task of readjusting relationship between the government and the society as their core and manifest themselves in the form of social structural reform. Based on the reality of national governance system in China and the conceptualization process, “new social policies” should in essence be composed of three correlated strategies: NGO system reform, social service system reform and social governance system reform, which are to be unfolded over a period in the future.

2.1 The First Strategy: NGO System Reform

The purpose of NGO system reform is to build a modern NGO system characterized by “separation of government administration and NGO management, well-defined rights and responsibility and self-governance by law” and let “organizations” return to society. With regard to the attributes of the modern NGO system, “separation of government administration and NGO management” is to establish the independence and dominant position of NGOs, stressing that the government should give sufficient leeway, delegate powers to NGOs and refrain from directly intervening in the operation of NGOs; guaranteeing “well-defined rights and responsibility” under the premise of “separation of government administration and NGO management” is to ensure that the government, NGOs and NGO administrative departments have clear-cut distinctions of responsibility and powers, and engage in mutual cooperation without any malposition or transgression; “self-governance by law” stresses that, on the one hand, NGOs shall conduct self-management and self-operation under the guidance of laws and their articles of association; on the other hand, rather than imposing administrative intervention, the government should follow the principle of supervising according to law so as to give full play to the subjectivity and vitality of self-governance. To build a modern NGO system, we have to properly address the relationship on three levels and make endeavors in three aspects.

On the first level, we have to properly address the relationship between the Government and NGOs, constructing a modern system for the management,

cooperation and cultivation of NGOs. The direction of NGO management system reform is to make a transition from entry supervision to process supervision, from organizational supervision to behavioral supervision, and from administrative prevention to after-event punishment according to law, which aims to break the “dual management system”, and lower threshold for registration, thereby developing a NGO management pattern characterized by “unified registration, clear-cut responsibility, coordination and cooperation, level-to-level responsibility and supervision according to law”. Under the premise of separation of government administration and NGO management, the construction of the government-society cooperative system includes demarcation of the boundary between the government and the society, transfer of government functions, government purchase of NGO services and social collaborative governance and others. Building an NGO cultivation system is an arrangement aimed to exploit to the full the leverage of the government in guiding and cultivating NGOs at the initial period when new-fledgling NGOs have not yet the capability to take over functions transferred by the government and bring into full play their self-governance functions. Such arrangements include implementing or defining the entity of NGO cultivation, setting up an NGO incubation platform with government input and socialization participation and rolling out various policies in support of NGOs.

On the second level, we have to properly address the relationship between NGOs and the society and among NGOs themselves, constructing the social accountability system and self-discipline system of NGOs, and mutually supportive endogenous development system or ecosystem of NGOs. On the part of the government, it is necessary to help establish a perfect system for public welfare organization information disclosure, public welfare accountability, and remedy of right of public interests, with the priority given to the cultivation of pivotal and supportive organizations in the NGO ecosystem, so as to guide the reasonable flow and operation of social resources and powers within the NGO ecosystem.

On the third level, we have to properly address the internal relationship in an NGO, guiding or helping an NGO to enhance its capacity, set up a reasonable internal governance structure and foster favorable public welfare atmosphere. The laws should provide basic requirements for NGOs with extensive social influence with respect to their governance structure while showing respect for the diversity of NGOs. Meanwhile, the government is to play a guiding role in promoting capacity construction of NGOs and creating a favorable atmosphere for NGOs.

The construction of a modern NGO system needs to be carried out in two major stages. The first stage, dominated by the government, is a process in which the government voluntarily withdraws and gives leeway from top to bottom, thereby creating a sound environment for the growth of NGOs. This stage has been started. In March of this year, the General Office of the State Council set out in the *Notice Concerning Task Assignments for Implementation of the Plans on Institutional Reform and Transformation of Functions of the State Council* the goal of basically forming a modern NGO system by 2017, meanwhile proposing a timetable for tasks in the near future with regard to such issues as pushing on with the gradual disconnection of trade associations and chambers of commerce from administrative

organs, revision and promulgation of three principal NGO management regulations, registration of four categories of NGOs directly with departments of civil affairs and acceleration of government purchase of services from social forces. The second stage should be a bottom-up process dominated by the society, which underscores the independency, sociality, autonomy of NGOs and the formation of an NGO ecosystem. This process entails a long period and enough patience.

2.2 The Second Strategy: Reform of Social Service System

The reform in social service system is aimed to return “services” to the society by reforming the existing system for public institutions, and building a broad and multi-layered modern social service system with multiple subjects and a flexible mechanism. Reform of social service system and transformation of government functions are highly associated with the emergence of NGOs. However, in the current period, the crux of reform lies in public institutions, the main provider of social services in China. In 2011, the Central Committee of the CPC and the State Council rolled out *Guiding Opinions on Acceleration of Category-Based Reform of Public Institutions*, focusing on accelerating reform related to public institutions. Now it is necessary to review the reform mindset for public institutions under the whole thought of social structural reform.

Reform of social service system is set against the realistic background of the increasingly diversified and complex social needs and the disintegration of an omnipotent government. Therefore, a modern social service system has to address two major issues, or two transitions: one is to make the transition from unitary, monopolized social services to diversified and competitive social services, thus improving efficiency of social services; the other is to make the transition from uniform basic social services to diversified and multi-layered social services, thus expanding the scope of social services and meeting diversified needs. These two transitions require that social service providers be multiple subjects who share out the work and cooperate with one another. The diversification of subjects stresses activating the vigor of social subjects. Public institutions established by the government will no longer be the principal part of social service providers; instead, various NGOs and the social public are encouraged to participate in social services and set up public undertakings. Sharing out the work and cooperating with one another underscores two aspects: on the one hand, each entity has its own focus and cooperates on the basis of a clear division of responsibilities. For instance, the government will concentrate on providing basic public services while the social subjects will focus on personalized and diversified social services; on the other hand, distinctions have to be made between the providers and producers of social services. The government doesn’t need to act as the direct provider of services, but will share out the work and cooperate with the social subjects in the form of contract based on a clear division of responsibility.

Under the guidance of the above macroscopic guidance, the reform of public institution system and the construction of a modern social service system should include two major aspects.

One is to readjust the relationship between the government, public institutions and other entities of social services. First, we should adopt the mode of “incremental reform” for public institutions. The existing public institutions will not be expanded and no additional public institution will be set up for any new social service item, so that more space can be allotted to the development of other social service entities; second, we should adopt the mode of “stock reform” for public institutions. It involves separating the government’s administrative function from public institutions’ operational function, and separating regulative function from management function, and enhancing the decision-making power of public institutions as a legal person through perfection of the governance structure of public institutions as a legal person, reform of personnel system, and income distribution system, thus streamlining the relationship between the government and public institutions; the ultimate goal is that various service providers including private non-profit social service agencies are treated as equal and can compete on a level playing field by abolishing in phase the privileges enjoyed by public institutions in credentials accreditation, professional qualifications and title assessment, tax policies and government purchasing services.

The other is to establish a diversified, fair and efficient social service resource supply system. First, we should strengthen the government’s function of rendering public services, adjust the expenditure structure of the government, expand financial supports to social services, build a long-term financial supportive system, and establish a diversified supportive mechanism and mode including government purchasing service, government funding, and financial subsidy. Next, we should create a favorable legal environment for public charity undertakings and facilitate accumulation of social resources and their circulation in social service sectors. Third, we should help bring about a professional social service evaluation and monitoring system, ensure efficiency and create a sound competitive environment for social service providers.

In a modern social service system, although the government still takes the core responsibility for social service, public charity along with the professionalized and socialized service providing pattern will become the mainstream. In view of the wide scope of entities with vested interests, huge inertia of the system and complex situation involved in the reform of public institutions, it can be foreseen that a long transitional period will be required to foster a modern social service system.

2.3 The Third Strategy: Reform of Social Governance System

The aim of social governance system reform is to reform the system of the people’s organization, and return “governance” to the society by establishing a modern

social governance system which represents the masses, allows unobstructed expression of opinions, responds quickly and solves disputes at the source. Trade unions, Communist Youth Leagues and women's federations at all levels should genuinely play their role in representing and contacting the masses, and contribute to the coordination of social relations and the resolution of social contradictions. The ultimate goal is that the masses are willing to air any grievance to or resolve any dispute they have through the people's organizations rather than seeking redress with the government.

The system of the people's organization dates back to the war times. It is a basic system whereby the Party and the government conduct social mobilization, maintain closer ties with and manage the masses. Through over 20 units including trade unions, the Communist youth leagues, women's federations, associations of industry and commerce, the associations of science and technology and federations of literary and art and over 7 million people's organizations at all levels, the Party and the government have maintained effective contacts with the masses from all walks of life and realized efficient mobilization and consolidation and ideological construction in the society. However, with the changes of times, the people's organizations have gradually failed in their function of consolidation and governance since no adjustments are duly made to its original functions and orientations. Due to the continuation of an omnipotent government and control mindset, the Party and the government have established a top-down regime for maintaining stability, in an effort to bring behaviors of all social members under the control of the government. For instance, some local governments have attempted at setting up a network-based management system. In fact, such regime is not only costly, but also no longer compatible with the current pattern of social development. In the new idea of social order, it is desirable to make the transition from stability maintenance; control and administration to governance, bring into full play the self-governance function of the society and return the governing power to the society. Based on this idea, it is thus necessary to reform the existing system of people's organizations to help them adapt to social development, serving the function of opinion consolidation and two-way expression between the Party and the government and the broad masses.

Ultimately, building a modern social governance system would require universal and diversified associations to enable various mass organizations including the people's organizations and their ecosystem to become the main body of social governance, serving the function of opinion expression, interest coordination and contradiction resolution. The reform of the people's organization system and the building of a corresponding modern social governance system is an important part of social structural reform, and also concerns with reform of the political system. Thus, reform in this field would require even greater courage and innovative spirit. Anyway, progress in this regard will perhaps be a good breakthrough point in the course of the gradual reform of the political system.

The relationship between the "new social policies" comprising mainly the above three strategies and the modern national governance system is that, what they construct is actually a self-organized, self-served and self-managed modern civil

society. Such a modern civil society will in turn become the one of the three pillars of a modern national governance system, and the other two are market entities and the modern government established after the reform of the market economic system and the political system.

3 Outlook: Realization Path of New Social Policies

The Third Plenary Session of the 18th National Congress of the CPC has given orientation for “new social policies” from the macroscopic perspective of construction of a modern national governance system, however, the three strategies of the “new social policies” are unlikely to be realized in any short period; instead, they will interrelate, coordinate with each other and progress systematically for a long time.

Being interrelated and coordinated means that, the three major strategies need to be launched simultaneously to promote each other. To be specific, without reform of NGO system, there would be no possibility for NGOs to grow, mature and serve their functions, thus unable to take over the services transferred from the government and construct a modern social service system; meanwhile, without the reform of social service system, the government would not transfer its functions, or give space and impetus for the growth of NGOs. With a lack of social subjects, it would naturally be difficult to establish a modern NGO system. Therefore, these two aspects are mutually conditional and must be initiated simultaneously. In other words, just as the government cannot let go of its power until NGOs are fully mature, the society cannot wait to grow until the system gets fully sound, either.

Systematic progression means that the three major strategies differ in terms of complexity of realization and should be dealt with in the order of priority and step by step. As discussed above, the construction of a modern NGO system needs to be carried out in two major stages: one dominated by the government and the other dominated by the society. It is undesirable to be anxious to achieve quick success and get instant benefits. Moreover, reform takes courage, wisdom and progress. Though progress in the reform of public institutions is painfully slow due to the complexity of the groups with vested interests involved, this has not prevented us from starting with some emerging sectors of social services by encouraging the participation of social forces. Once the regime and mechanism of government purchasing services from social forces is mature and NGOs become full-fledged, we may further promote competition among different social subjects in the conventional sectors of social services, thereby advancing the reform of public institutions. Take another instance, reform of people’s organizations is not easy to proceed with since political considerations are involved, however, we may start with some organizations which are less politically sensitive or community-level organizations or launch pilot programs in some local areas.

As with structural reform in the market sector, “new social policies”, as a top-level thought going from the top to the bottom, have released strong signals for reform. Next, we will expect magnificent local practices from the bottom to the top to interact with them, jointly fulfilling the grand objective of “modernizing the national governance system and capability”.

Chapter 2

An Exposition of China's New System—A Modern NGO System

Ming Wang

Establishing a modern NGO system is a significant national strategy proposed by the 18th National Congress of the CPC. In a modern NGO system, the essence of separation of government administration and NGO management is reform, the essence of well-defined rights and responsibilities is transformation, and the essence of self-governance by law is social reconstruction. A modern NGO system shall include five aspects: monitoring system, supporting system, cooperating system, governing system and operating system.

1 The Inevitability, Importance and Urgency of Establishing a Modern NGO System

In the report of the 18th National Congress of the CPC, some important thoughts were expressly put forward, such as “strengthening social construction while improving the people’s well-being and innovating management”, “endeavoring to let the people live a better life”, “stepping up efforts to promote social structural reform” and “speeding up the formation of a social management pattern of the Party committee leadership, government responsibility, social cooperation, public participation and legal guarantee”. In particular, it for the first time expressly proposed

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to “speed up the formation of a modern NGO system characterized by separation of government administration and NGO management, well-defined rights and responsibilities and self-governance by law”, providing an important ideological guidance for the social reform and construction which are being energetically explored and promoted.

How should we understand the inevitability, importance and urgency of a modern NGO system? We believe that, after over 30 years of reform and opening up, China has made remarkable achievements in economic development, which has attracted worldwide attention. Unprecedented bright prospects have been presented for the great rejuvenation of the Chinese nation. At the beginning of the 20th century, the great revolutionary forerunner Sun Yat-sen once said: “The trend of the world goes forward with such mighty strength and vigor that those who go along with it will thrive and those who go against perish”. It is a trend of world development and also an inevitable result of the history of mankind that modern NGOs are flourishing and an advanced modern NGO system with Chinese characteristics is to be established. The inevitability, importance and urgency stems from the process of our marching toward a sound socialist market economy, from the historical course of reform and opening up and social transformation, and also from the historical inevitability of Chinese nation accomplishing modernization, building a harmonious modern society, realizing the great rejuvenation and joining the rank of world powers. Only by surveying from the height of the great rejuvenation of the Chinese nation can we fully grasp and understand the inevitability, importance and urgency of stepping up efforts to establish a modern NGO system, and can we earnestly implement such a national strategy of epoch-making significance, and then convert it into a great practice in comprehensively deepening reform in the social sector.

1.1 Inevitability

Establishing a modern NGO system is not only an inevitable trend of China’s market economic development, but also the only way for China to join the rank of world powers.

First, establishing a modern NGO system is an inevitable trend for China’s socialist market economic development. After over 30 years of practice in reform and opening up, we have now irreversibly taken a development path of socialist market economy. The development of a market economy will inevitably bring about the growth of a civil society. The most important symbol of the growth of a civil society is that various NGOs are playing an increasingly important role in social life. Theoretically speaking, one of the essential premises for developing a market economy is that the government should recognize and protect the legitimate rights and interests of a citizen under the framework of rule of law, the core of which is the protection of ownership of private property; the citizen shall in turn

undertake his responsibility and perform his obligation according to law.¹ The premise is also a prerequisite for the cultivation and growth of a civil society. The protection and empowerment of citizens' legitimate rights and interests will not only lead to a massive emergence of economic entities and various market behaviors, but also hasten the rising of NGOs as social subjects.² Therefore, the development of a market economy will inevitably bring about the emergence of a civil society. Seen from the development experience of major Western countries, a civil society is a social system and domain far more complex and broader than a market economy. A market economy will usually be incorporated into a civil society and exist as a way in which citizens deal with production, consumption and other economic activities in their social life.³ As a matter of fact, besides market economy, there are a large number of problems in a civil society which have to be solved by various non-market and non-profit means. In this regard, NGOs have been playing a more and more crucial role. Seen from the practical development in China, with the country moving away from the old system of an omnipotent country, the planned economy and a Party-ruled society, and also with the construction of a socialist market economy in all respects ever since the reform and opening up, the development of a civil society with various NGOs as the main element has become an inevitable trend for China's social transformation.

¹In the Amendments to the Constitution (1993), Article 15 was revised from the original "The state shall practice planned economy on the basis of socialist public ownership" to "The state shall practice socialist market economy". In the Amendments to the Constitution (2004), it further provided that "The state shall establish and perfect a social guarantee system that is compatible to its economic development level". As such, the original social and economic rights which are otherwise abstract and programmatic have gradually been transformed into concrete and operational ones. Since a market economy takes free competition as its principle, and emphasizes maximum respect for individual rights and interests, adequately realizing and enjoying individual rights has become the premise of developing a market economy. Meanwhile, adequate realization of individual's social and economic rights will in turn promote the safeguarding of citizens' rights and interests.

²Any theoretical discussion on the nature of rights has an implicit logical premise that there is a well-defined boundary between different state powers and the spectrum for each kind of state power is clear. That is, although there are no definite provisions in the Constitution, however, based on the theory and interpretations of the Constitution, it can be logically concluded that an increasingly adequate protection of individual rights means that China has accepted the concept of a limited country and limited government. This has laid a foundation for the development of a civil society, and also reserved space for the expansion of self-governance.

³Hegel defined a civil society as a sum of interpersonal relationships including the exchange relation in a market economy. He described: "When men are thus dependent on one another and reciprocally related to one another in their work and the satisfaction of their needs, subjective self-seeking turns into a contribution to the satisfaction of the needs of everyone else. That is to say, by a dialectical advance, subjective self-seeking turns into the mediation of the particular through the universal, with the result that each man in gaining, producing, and enjoying on his own account is eo ipso producing and gaining for the enjoyment of everyone else. The compulsion which brings this about is rooted in the complex interdependence of each on all, and it now presents itself to each as the universal permanent capital." *The Philosophy of Right*, Translated and Compiled by Yang Dongzhu et al., Beijing Press, October 2007, p. 210.

Conforming to such a trend and accelerating the formation of a modern NGO system conducive to the development of China's civil society will become a necessary choice for Party commissions and government departments at all levels to vigorously promote structural reform and management innovation.

Second, establishing a modern NGO system is the only way for China to join the rank of world powers. Based on international experience, as NGO plays an increasingly important role on domestic and international levels, all major developed countries have invariably established a modern NGO system compatible to its politics, economy and culture so as to promote the healthy development of NGO. As far as a sound modern NGO system is concerned, internally, it should be conducive to developing all kinds of domestic NGOs and manifesting their roles, thus helping to resolve social contradictions and solve various domestic problems; externally, it should be conducive to NGO going abroad to play their positive roles in the international community, and working in unison with the country's overall strategy to form a three-dimensional pattern of international influence in which the government and NGO conduct joint cooperation. Nowadays, China's Gross National Product (GNP) has been ranked second in the world, however, China's NGOs are not so well-developed as those of major Western countries, and have not played their due roles either at home or in the international community. This has to some extent restricted our progress towards a world power. Among the reasons, there is such a restraint that, as a latecomer, China's NGO is not as capable and influential as its counterparts, nevertheless, the biggest restraint remains in that, confined to traditional concepts and conventional institutional restraints, we have yet to establish a modern NGO system compatible to the socialist economic development level. Thus, China's NGO development has been substantially restricted by factors related to system, institution, policy and other aspects. Therefore, in conformity with the tide of world development, making efforts to speed up reform and innovation and form a modern NGO system as soon as possible should be a historical inevitability and the only way for China to join the rank of world powers.

1.2 Importance

Establishing a modern NGO system is a key strategic project for comprehensively deepening reform in the social sector, cultivating new social ecology and capital, and rebuilding the social base of the ruling party.

First, establishing a modern NGO system, accelerating government reform and stepping up efforts to promote the reform of public institution system and of people's organization is an important strategic step in a period when our reform is advancing to a deeper level. Over the past 30 and more years, China has made universally acclaimed achievements in economic system reform and economic construction, however, in contrast with economic reform, our reform in social and political field is progressing with much difficulty, which has caused much

discordance in the overall social development. Ever since the Sixth Plenary Session of the 16th National Congress of the CPC, the central government has paid high attention to reform and innovation in the social field. The report of the 18th National Congress of the CPC has expressly proposed to “step up efforts to promote social structural reform” and set the formation of a modern NGO system as the strategic target of reform and innovation. Such strategic strategy shows that the guiding thought of the Party and the government on how to comprehensively advance the modernization of China has become even more mature and represents a strategic step in a period when China's reform is advancing to a deeper level.

With the government reform in full swing, we have become more and more aware of the importance of establishing a modern NGO system. The core of government reform lies in the transformation of government functions. In the final analysis, the transformation of government functions is to strip from the existing government functions those matters that the government is not authorized to manage, or cannot manage well, or should not manage or cannot manage at all, and return them to the society. Under the conditions of a market economy, those who are capable of taking over functions transferred from the government should not be profit-oriented enterprises but non-profit NGOs with certain degrees of public nature. Only when a modern NGO system is established, can we cultivate and develop a large number of modern NGOs which can effectively take over functions transferred from the government.

Founded in the war times, public institutions and people's organizations are effective institutional tools for providing social services and realizing the integration of politics and society in an omnipotent country and a Party-ruled society. With the launch of the reform and opening up policy and the development of a socialist market economy, reform of public institutions and transformation of people's organizations have gradually been put on the agenda. In 2011, the central government initiated a category-based reform of public institutions, and planned to comprehensively advance the reform of public institutions over a period of around ten years. Overall reform is gradually being unfolded in this huge social service system which has more than 1.2 million organizations and more than 30 million employees. As part of the practice in social management innovations, many local Party and government departments are making bold explorations in transforming people's organizations into hub-type and integrated NGOs. Despite the fact that the reform of public institutions and people's organizations has newly started, and is fraught with difficulty and complexity due to its grand scale and onerous tasks, its core, after all, is similar to government reform, which lies in nothing more than stripping those administrative and political functions attached to them, and through structural reform, transforming them into an organic part of a modern NGO system. Undoubtedly, for the reform of public institutions and people's organizations, which has only newly started and is still groping for the way ahead, stepping up efforts to form a modern NGO system holds great significance.

Second, only when a modern NGO system is established, can we speed up the development of NGO in China, and endeavor to cultivate modern NGO and its ecosystem, thereby nurturing new social capitals and realizing social reconstruction

on the basis of traditional culture and market economy. As the product of reform and opening up and social transformation, China's NGO has begun to take shape after over 30 years' development. At present, the total number of all kinds of NGO registered at departments of civil affairs at all levels has exceeded 500,000. If we take into account some grass-root NGOs put on file at the city communities and those that failed to be legally registered for one reason or another, the total estimation would be more than 1 million. Such a total number, though about the same with developed countries, has a wide disparity with developed countries in many aspects including their position, function and role in the entire social and economic life.⁴ The problem is that NGO has not been mature in individual scale and capability, degree of specialization and influence, especially in its presence as a relatively independent third sector, and also its internal ecosystem has not been formed.

Seen from the grand historical perspective in which social transformation is driven by modernization in China, China's modernization course has undergone three mutually superimposed and staggered process. The first process may be termed the process of "revolution and reform", which lasts from the middle of the 19th century up till now. At its core is a process in which China's traditional structure including politics, economy, society, culture and value was constantly being destroyed by external forces and their own revolution and reform. The second process may be termed the process of "revolution and construction", which lasts from the founding of the new China in 1949 till the end of the "Cultural Revolution". Its core content contains two aspects: on one hand, China's traditional society, culture and value continued to be destroyed, on the other, the centralized socialist society and its ideology were established; the third process may be termed the process of "reform and development", which lasts from Reform and Opening up till now. Its core content contains three aspects: first, China's traditional society, culture and value system continue to be destroyed, second, comprehensive reform is launched for the centralized socialist society, and third, China is developing a market economy and endeavoring to build a new society while opening and integrating itself into the world trend of development. Over the recent years, there are more and more cries for China to return to the traditional society. However, it must be noted that such "return" is a kind of response after the traditions are being destroyed or have been destroyed, and is at best a kind of critical inheritance. "Return" can only be realized in the course of social reconstruction.

Therefore, from the perspective of social transformation, we are witnessing a social reconstruction on the basis of double negation: one is a complete negation of China's traditional society, culture and value system. The other is a complete negation of the society, culture and value system brought about by the centralized socialism. The complete negation of two established systems originating from two different historic periods and the ensuing social reconstruction in our expectation will definitely be an arduous and long historic course. Fortunately, with the rise and

⁴For example, US currently has over 1.6 million non-profit NGOs of all kinds, while Germany, UK and Japan all have less than 1 million.

development of NGO, social reconstruction is more and more assuming the features of the reconstruction process of a modern and highly self-governed civil society which is based on rule of law, advances with the times and adapts itself to the world trend of development. One of the key strategic measures to promote China's social reconstruction is to make efforts to establish a modern NGO system and nurture modern NGO and its ecological system, thereby developing new social capital on the basis of traditional culture and market economy.

Third, only by forming a modern NGO system and advancing the healthy development of NGO, can we promote the reform and development of the ruling party itself in the course of social transformation and reestablish an inseparable relationship between the Party and the masses, thus cultivating and developing the ruling foundation of the ruling party in a modern civil society. Over the past half century or more, the CPC has led the Chinese people to struggle courageously and made world-renowned great achievements in the historic course of great rejuvenation of the Chinese nation, however, we must also not lose sight of the fact that, as the reform and opening up enters a deeper level, the relationship between the Party and the masses is also faced with many tests. There appear four dangers such as “the danger of slackness in spirit, the danger of inadequate capacity, the danger of divorcing from the masses and the danger of passiveness and corruption”.⁵ An ever-deteriorating relationship between the cadres and the masses, between the Party and the masses has become the focus of all kinds of social issues and contradictions in a new period. Improving and reestablishing the relationship between the cadres and the masses, between the Party and the masses has become one of the major tasks of the Party and government departments at all levels in social management innovation. Over the recent years, many local Party and government departments, bold in reform and innovation, have made positive explorations and acquired much beneficial experience in improving and reestablishing the relationship between the cadres and the masses, between the Party and the masses. Such examples include the exploration of establishing a “harmonious homeland” in Wuxi, Chongqing city, the innovative practice of “the working methods of four family-related issues (take the masses as family members to properly address each affair, take each letter from the masses as a letter from home, take affairs of the masses as home affairs to solve each difficulty, and take work related to the masses as a family undertaking to fulfill each duty)” in Xinyang, Henan Province, and the pilot reform of “four full coverage (promoting full coverage of grass-roots Party organizations, full coverage of grass-roots democratic organizations, full coverage of rural economic cooperative organizations and full coverage of rural stability-maintenance organizations)” in Suning, Hebei Province. All such practical explorations share a common feature and objective, that is to reestablish the relationship between the Party and the masses by reforming the management system and strengthening social construction. In this process, NGOs of all forms have played the important roles of “intermediaries” and “buffers”.

⁵See “July 1st Speech” by Hu Jintao in 2011.

1.3 Urgency

Only by stepping up efforts to form a modern NGO system, can we duly promote reform of NGO management system and establishment of the corresponding legal system, can we keep pace with the national strategy of “going global” and duly promote internationalization of NGOs, and also can we enhance the capacity of NGOs to enable them to undertake the historical responsibility of resolving social contradictions and coordinating social relations.

First, the existing NGO management system formed at the end of the 1980s and characterized by “dual management” is in urgent need of reform and innovation. The idea of “improving management of NGOs, establishing and perfecting an NGO management system characterized by unified registration, clear-cut responsibility, coordination and cooperation, level-to-level responsibility and supervision according to law” expressly put forward in the outline of the “12th Five-Year Plan” has become a basic consensus. However, the three new key administrative regulations concerning the three basic kinds of NGOs including foundations, social organizations and private non-enterprise organizations have yet to be revised and promulgated. The long-overdue NGO management system has severely hindered the development and corresponding reform and innovation of NGOs in China. Overall reform and innovations are direly needed in terms of the system and institutions.

Next, in stark contrast to the global financial crisis, China’s economy has continued to grow at a high speed and China’s international status has significantly improved, while very few of China’s NGO have played a major role in the international community. In today’s international community, non-governmental NGO has become an important force which involves itself in global issues and thus influences international relations, and also an important bridge through which national interests can be extended to the international community. Moreover, NGO plays a unique role in leading and initiating multinationals to participate in international competition on an equal footing. With the unfolding of the historic process of the great rejuvenation of the Chinese nation and the arising of unavoidable international constraints such as all sorts of frictions, confrontations and conflicts in the course of the rise of a powerful China, there are ever louder calls for NGO to play a crucial role in participating in global affairs.

Third, Only by stepping up efforts to form a modern NGO system, can we enhance the capacity of NGOs and enhance the enthusiasm, initiative and creativity of the Party and government departments at all levels in developing NGOs, thereby impelling all kinds of NGOs to undertake the historical responsibility of resolving social contradictions and coordinating social relations.

In a word, the national strategy of establishing a modern NGO system put forward by the 18th National Congress of the CPC is the necessary requirement for developing China’s socialist market economy, the necessary requirement for comprehensively deepening reform and also the necessary requirement for Chinese society to become a modern society, for China to become a modern country and for the Chinese people to realize its Chinese dream of the rejuvenation of the Chinese nation.

2 Basic Content and Tendency of a Modern NGO System

How should we understand and master the national strategy of a modern NGO system? The report of the 18th National Congress of the CPC proposed to speed up the formation of a modern NGO system characterized by “separation of government administration and NGO management, well-defined rights and responsibilities and self-governance by law”; The *Plans on Institutional Reform and Transformation of Government Functions of the State Council* deliberated and adopted at the Second Plenary Session of the 18th National Congress of the CPC and the First Session of the 12th National People's Congress reaffirmed the stance to establish and perfect a new NGO management system characterized by “unified registration, clear-cut responsibility, coordination and cooperation, level-to-level responsibility and supervision according to law”, reform NGO management system and promote the perfection of internal governance structure of NGOs; moreover, *Decisions on Some Major Issues Concerning Comprehensively Deepening Reform* adopted at the Third Plenary Session of the 18th National Congress of the CPC further proposed to innovate social governance system, improve social governance mode and motivate the vigor of NGOs. To our understanding, the basic contents of a modern NGO system should have three premises, i.e. separation of government administration and NGO management, well-defined rights and responsibilities and self-governance by law, and five aspects i.e. monitoring system, supporting system, cooperating system, governing system and operating system.

2.1 Three Basic Premises of NGO Reform in China

The report of the 18th National Congress of the CPC expressly proposed to speed up the formation of a modern NGO system under the premises of separation of government administration and NGO management, well-defined rights and responsibilities and self-governance by law. Then how should we understand these three premises? We think that: these three premises stress that there should be three mutually complementary and restrictive key steps in speeding up the formation of a modern NGO: the first is to realize separation of government administration and NGO management, that is, endeavor to advance reform, demarcate the boundary of government functions and foster a social synergistic situation where the government and NGO co-govern and cooperate in the course of reform; the second is to ensure well-defined rights and responsibilities, that is, realize the transformation of the relationship between the state and the society, between the Party, the government and NGO while promoting the transformation of government functions, build a new type of service-centered relationship between government's functional departments and NGO, and explore a cooperation and interaction mechanism between the Party and government departments and NGO; the third is to implement self-governance by law, that is, make explorations in social reconstruction, and promote the

cultivation and growth of the self-governing system of the society while constantly improving the guarantee system of fundamental rights of citizens on the basis of constitutionalism. Therefore, separation of government administration and NGO management, well-defined rights and responsibilities and self-governance by law are three important premises for establishing a modern NGO system, which emphasize reform, transformation and reconstruction. Only by speeding up the implementation of these three premises can we establish a modern NGO system.

(I) The essence of separation of government administration and NGO management is reform

Separation of government administration and NGO management means that, with the advancing and implementation of government reform, we should gradually demarcate the boundary of government functions, and promote the independence of NGO in basic functions, organizational structure, policy-making system and operation and management, thereby creating a social synergistic situation in which the government and NGO co-govern and cooperate in the course of reform. "Separation of government administration and NGO management" is the core of deepening government reform and promoting social structural reform and also an important premise for comprehensively promoting innovation in social management and construction. Only by separating government administration and NGO management can we clearly demarcate those government functions in the social field, can we convert an unlimited government to a limited government and reform the traditional system in which the government takes care of every affair of the society. More importantly, only by demarcating the boundary of government functions and reforming the old social system can a pattern of big society be likely to emerge and thus will there be ample space for NGOs of various forms to develop and play their roles. It needs to be emphasized that, "separation of government administration and NGO management" is not aimed to weaken the public management capability of the government, nor to let government step away from the society, but to emancipate minds, innovate system and demarcate the boundary of government functions, and enable the government to better manage those affairs it is supposed to manage, and more effectively provide those public services it is supposed to provide while continuing to deepen government reform and promote social structural reform.. Meanwhile, it is meant to strip from government functions those matters that the government is not authorized to manage, or cannot manage well, or should not manage or cannot manage at all, and energetically cultivate and develop NGOs of various forms and encourage social innovation through multiple mechanisms such as cultivation and development, incubation and support, and purchasing services, so as to propel NGOs to get involved in public services, social management and other public affairs and create a social synergistic situation in which the government and NGOs co-govern and cooperate in the course of reform. To realize separation of government administration and NGO management, there are two key links which deserve our attention: First, in stripping part of public affairs, the government should also transfer to NGOs the necessary public powers and corresponding resources in support of such public affairs. The following

situation should be avoided: the government only transfers functions and responsibility without transferring public powers and resources, leaving NGOs ill-afford to undertake these functions and responsibilities and thus reducing the quality of their services, which will further cause more social contradictions and problems. Second, the government should energetically cultivate, develop NGOs and enhance their capacity and gradually transfer some public powers and resources to them once they have gained some development and have had the capability to undertake such functions and responsibilities. Cultivating NGOs and supporting their development is one of the important duties the government should perform in the course of promoting separation of government administration and NGO management.

(II) The essence of well-defined rights and responsibilities is transformation

Well-defined rights and responsibilities emphasize that, in the course of promoting transformation of government functions, efforts should be made to transform the relationship between the state and the society, between the Party, the government and NGOs, and to define the respective powers and responsibilities of all relevant departments of the Party and the government as well as the rights and responsibilities of NGOs, in a bid to build a new type of service-centered relationship between relevant governmental functional departments and NGOs, and make explorations in the cooperation and interaction mechanism between the Party and government departments and NGOs. With the continuous development of reform and opening up and the market economy, China's original pattern of an omnipotent government has broken up. On one hand, an increasingly important and relatively independent market economy system emerges from outside the state system; on the other, between the state system and the market system, there also emerges an increasingly dependent NGO system. The government itself is faced with the task of an overall functional transformation, the relational pattern between the state and the society is undergoing profound changes and transformation, public institutions which serve the function of social services under the omnipotent government system and people's organizations which act as the bridge connecting the Party, the government and the masses are faced with the task of reform and transformation, and NGOs themselves are also faced with the task of reform and development. As for the government, they should transform from the conventional control-minded and administrative government to a modern service-oriented government, becoming more limited, standardized, transparent and efficient, which involves major changes in its operating concept, power boundary, basic functions and responsibilities and obligations; as for public institutions and people's organizations, they should break away from the original pattern in which they have a full administrative hierarchy and the Party and the government take care of each and every affair for them, and instead take the direction of society, folk and public welfare and propel more public institutions and people's organization to transform themselves to modern NGOs; as for the entire sector of NGOs, they should accelerate development speed, make active explorations in reform and undertake more social responsibilities in adherence to the guidance of Party committee leadership, government responsibility,

social cooperation, public participation and legal guarantee. As for the relationship between the government and NGOs, efforts should be made to build a new type of service-centered relationship between registration authorities and other relevant governmental functional departments and NGOs, and to explore an cooperation and interaction relationship between the Party and government departments and NGOs on the basis of guarantee of rights and interests and well-defined rights and responsibilities. The core of well-defined rights and responsibilities lies in, on the basis of separation of government administration and NGO management, further defining the powers and responsibilities of all relevant functional departments of the ruling party and the government on the part of the state as well as the rights and duties of all kinds of NGOs on the part of the society, thereby each exercising their respective powers, safeguarding their respective rights and interests and fulfilling their respective responsibilities and duties. The ultimate solution to well-defined rights and responsibilities lies in rule of law. Either the ruling party, or governments at all levels, or all relevant governmental functional departments or all types of NGOs shall act under the framework of laws, and conduct practice, explorations, reform or innovations in accordance with the principle of rule by law. The “powers and rights” and “responsibilities and duties” should be clearly defined and set out in the form of laws. The Party and government departments should, adhering to the principle of administering by law, improve the system and mechanism for safeguarding the citizens’ basic rights on the basis of constitutionalism so as to cultivate and develop NGOs, and promote the growth and maturity of the social self-governance system.

(III) The essence of self-governance by law is social reconstruction

Social reconstruction refers to the process in which the entire society reconstructs itself on the basis of rule of law in the context of reform and opening up, social transformation and market economic development. The core content of social reconstruction lies in constantly improving the system and mechanism for safeguarding citizens’ basic rights on the basis of constitutionalism, thereby promoting the development and growth of the social self-governance system. Since the reform and opening up, the centralized social structure which is based on an omnipotent state and a planned economy and whose principal component is “units” and “people’s organizations” has disintegrated, the rapidly-expanding market economy and swift urbanization process have broken up the traditional structure of social relations which features an “acquaintance society”. The established interpersonal moral and ethical consensus, social trust relationship and network gradually fail and are replaced by undisguised relationship of money, benefit, and game-playing. Unfortunately, the new social relationship structure, social trust network and its regulating system are far from being established. China’s reform and market economic expansion are challenged by a process of rapid social transformation, or as some call it a “fragmented” and “atomized” social collapse. In this process, the awakening of citizens and their reorganization on the basis of self-governance by law will be the core of social reconstruction and the only road for Chinese society to

become a civil society. In view of practice, a self-governance-based social construction mainly includes: reforming and innovating urban and rural residents' self-governance system, exploring wider and better grass-root democratic practice, cultivating more widespread and diversified residents self-organization system, safeguarding citizens' basic association rights and social participation rights, as well as NGO's basic rights and interests and exploring a multi-element co-governance pattern for urban and rural communities based on residents' self-governance.

In summary, separation of government administration and NGO management, well-defined rights and responsibilities and self-governance by law are basic principles for establishing a modern NGO system from the above three aspects: reform, transformation and reconstruction. Only by adhering to these three principles, can we establish a modern NGO system.

2.2 Five Aspects of China's Modern NGO System

What is the general trend for China's NGO reform under the above three premises of separation of government administration and NGO management, well-defined rights and responsibilities and self-governance by law? The report of the 18th National Congress of the CPC expressly proposed to step up efforts to form a "modern NGO system", which has provided a basic guiding framework for China's NGO reform and development.

Then, what is a "modern NGO system"? First, a modern NGO system refers to the NGO system that various countries in the world formed by constant accumulation, recapitulation and perfection in their practices when human society has developed to today's level, and is the quintessence of the modern and common system and institutions concerning NGO development and regulation, which has universal value to human beings; second, a modern NGO system refers also to an NGO system that the Chinese people has formed by constant accumulation, recapitulation and perfection in the historic journey of realizing the great rejuvenation of the Chinese nation under the leadership of the CPC. It particularly refers to the recapitulative experience in all the systems and institutions with Chinese characteristics concerning NGO development and regulation that we have gradually gained by summing up the experience and lessons from positive and negative sides and endeavoring to adapt to the socialist market economic development through constant exploration, reform and innovation over the past thirty and more years since reform and opening up.

Seen from the above two aspects, a modern NGO system is generally composed of the following five aspects:

(I) The monitoring system of modern NGO

Monitoring system is the first aspect of a modern NGO system. It is a generic term of the systems and institutions of the state concerning administrative organ setup, division of authority, power operating mechanism and other aspects of NGO

management, which includes the registration system, filing system, category-based monitoring system and behavior management system for NGOs. A modern NGO monitoring system in essence reflects a basic profile of the relationship between the state and the society. It is a kind of national system whereby public powers are used to deal with the relationship between the state and the society. It is essentially a kind of risk control system of the government for NGO development. Over the recent years, with innovations in social management under way, the central government and local governments at all levels, in accordance with the requirements of unified registration, clear-cut responsibility, coordination and cooperation, level-to-level responsibility and supervision according to law put forward in the “12th Five-Year Plan”, are energetically promoting reform and innovation in China’s NGO management system, and endeavoring to form a modern NGO monitoring system which takes organizational development as its objective, standardized monitoring as its approach, and risk control as its limit.

Taking organizational development as its objective means the country takes as its main objective the task of expanding NGOs, giving full play to NGO’s positive roles and promoting NGO development. It should change its past policy orientation of “not trusting, not supporting and not developing” towards NGOs, build a policy system which is conducive to cultivating and supporting NGOs, and urge NGOs to enhance their own capacity, and guide social forces to support the development of NGOs.

Taking standardized monitoring as its approach means the country will supervise NGOs mainly through legal norms, build a complete NGO-related legal system and attach importance to legal efficacy. It should change the previous NGO monitoring mode which relies on policy-based, temporary and responsive measures, and promote the law-based NGO monitoring system from the following four aspects: legislation, law enforcement, administration of justice and cultivation of legal consciousness.

Taking risk control as its limit means that in its various monitoring activities of NGOs, the country merely exercises its regulating power to the extent that political and social risks do occur in reality. It should change its previous NGO monitoring thinking which antagonizes NGOs and features such key words as restriction, control and repulsion, and implement a feasible standardized system which centers its basic tasks around management of NGO’s daily behavior and adopts as its basic management criterion the occurrence of political and social risks in reality.

(II) The supporting system of a modern NGO system

The supporting system is the second aspect of a modern NGO system. It refers to the sum of a country’s various supportive policies and institutions concerning NGO cultivation and development, support and promotion, preferential subsidy, including NGO cultivation and development system, support and promotion system such as priority for participating in service purchase, and preferential tax systems. The modern NGO supporting system essentially represents another profile of the relationship between the state and the society. It is a kind of national system whereby the public powers are exercised and public resources are mobilized to cultivate

social forces, strengthen social construction and promote the healthy development of NGOs.

In a modern society, various forms of NGOs undertake a large number of public affairs including public services, social management; moreover, although many NGOs do not directly undertake any public affair, they are playing an important role in the public domains by participating in social governance as organizations of mutual benefits or common benefits. The non-profitable nature of NGOs determines that a great majority of them cannot get the resources from the market system, but rely heavily on charity donations and other social resources. To advance the development of NGOs, many countries have established different forms of NGO supporting mechanism. For example, in the US, governments at all levels each year pay as much as \$100 billion to purchase services from NGOs, which accounts for 30–40% of the operating funds of NGOs. In Germany and some Northern European countries, this proportion is even as high as 60–70%. The UK has a supporting system for charitable organizations centered around the Charity Commission under the framework of *the Charity Law* by including the support for charitable organizations within the sphere of administrative functions. In China, government reform and social transformation are faced with such huge pressure that the current development level of NGOs can barely satisfy the demands. Thus cultivating and developing NGOs has become a pressing task for governments at all levels. Building a modern NGO supporting system remains an important link in strengthening social construction and innovating social management. Only by doing so, can we motivate the vigor of the society, extend the social space, and give full play to the positive energy of NGOs, thus promoting the building of a harmonious society.

A modern NGO supporting system also includes support for NGOs from other social forces. Besides national public powers, other social forces may also form various relationships with NGOs, such as citizens' voluntary service, donation and funding from enterprises and large foundations, and NGO cultivation and incubation platform set up by social forces. Support for NGOs from these social forces also needs to be brought onto the track of legalization, thus enabling the NGO supporting system to run in a standardized and healthy way.

(III) The cooperating system between a modern country and NGOs

The cooperating system is the third aspect of a modern NGO system. It is another kind of national system built and formed upon the possibility for the state and the society to have cooperation. Usually, in the modern political discourse, what is emphasized is the difference and even confrontation between the state and the society, and what is concerned about is whether there exists any public space outside the national system and how we counteract public powers. While the cooperating system between a modern country and NGOs emphasizes the co-existence and cooperation between the state and the society. If we may say the modern NGO supporting system involves NGOs participating in public affairs and sharing public resources as a beneficiary, and stresses the interest output of public powers to the society, then the cooperating system between the modern state and NGOs, is mainly

a national system in which NGOs back-feeds public powers and the society, and emphasizes the tolerance, co-existence, symbiosis and common-prosperity of administrative public character and even political public character with social public character.

A modern cooperating system between the state and NGOs shall be composed of the cooperating system between the government and NGOs on supply and demand of public services, the cooperating system between the government and NGOs on policy making and implementation, as well as the cooperating system between the public sector and NGOs in the form of negotiation, interaction and joint action with regard to relevant political issues. Specifically, first, the cooperating system between the government and NGOs on supply and demand of public services mainly refers to the cooperative partnership and corresponding institutional forms between the government and NGOs concerning the supply of public services, which is formed during the period when the government purchases services and other kinds of outsourcing projects from NGOs; second, the cooperating system between the government and NGOs on policy making and implementation mainly refers to the institutionalized policy consulting mechanism between governments at all levels and NGOs, which is established in the context where NGOs leverage their extensive public support and profound professional expertise, serve their role in policy advocacy, and exert substantial influence on policy making and implementation as governments at all levels are trying to make the policy-making process democratic, professional, standardized and reasonable. These mechanisms mainly take the form of various kinds of informal meetings, symposiums and commissions; third, the cooperating system between the public sector and NGOs in the form of consultation, interaction, and joint action with regard to relevant political issues, for the current stage, manifests itself in the following ways: either heads of NGOs join the Chinese People's Political Consultative Conference (CPPCC), the National People's Congress and Congress of Party Representatives at all levels to offer advice and suggestions, discuss state affairs, or some NGOs coordinate and cooperate with the government in the international governance system by applying for the United Nations counseling status.

The basis on which a modern state and NGOs to cooperate lies in that, as public organizations, both the government and NGOs share orientation of public value, thus they can cooperate with each other and take joint action in many areas where public interests are involved, such as environmental protection, disease prevention and control, popularization of general legal knowledge. Joint action is a crucial link for the government and NGOs to conduct cooperation, and also one of the most appropriate positions taken by the government in addressing its relationship with NGOs. For instance, the "26 degrees celsius air conditioner temperature energy-saving action" was originally intended only as a social advocacy through which NGOs give play to their role in advocating policies, however, as government departments got closely involved, it eventually became a joint action of the government and NGOs. In Hangzhou, during the construction of many new public platforms named as "social composite subjects" over the recent years, including

“Life Quality” and “Conversation with Us Round Table”, many innovations and trials were jointly made by the government and NGOs.

(IV) The governing system of a modern NGO system

The fourth aspect of a modern NGO system is the governing system. It is not a national system, but a social public system built on self-governance and co-governance and established through government guidance and social participation.

The modern society is a highly self-governed civil society, and also a multi-element co-governed society which is full of consultation, dialogue and compromise. NGOs have both public responsibility and social responsibility. On one hand, as a self-governed entity, NGOs are a self-governed community whose dominant components are citizens and which is independent from the state and the market system; on the other, as social forces of public nature, NGOs are also one of the participants of numerous social affairs and the governing entities for establishing a modern NGO governance system. As far as its contents are concerned, a modern NGO governance system, which is based on both self-governance and co-governance, at least comprises the following four aspects.

First, rules and regulations concerning the self-governance and independence of NGOs. Derived from freedom of association, self-governance of NGOs is a system whereby the state guarantees NGOs' right to conduct self-management, self-education and self-service on the basis of freedom of association. It is also a principle norm which prescribes that NGOs should maintain self-governance and independence of the organization on the basis of the freedom of association. Such independence refers to not only independence from government and political forces, but also independence from enterprises and other market forces. The self-governance of NGOs is an important source of social forces.

Second, rules and regulations concerning NGOs' synergistic governance. Synergistic governance emphasizes that, NGOs participate in social public affairs through dialogue, negotiation, cooperation, advocacy and many other forms of mechanisms, give to play their role of synergy in such main aspects of governmental functions as economic regulation, market supervision, social management and public services, and improve government performance through extensive public participation while enhancing efficiency of government accountability. Synergistic governance requires that, on one hand, the government should establish various rules and regulations conducive to synergistic governance, and promote reform of and innovation in itself by transforming its functions and streamlining its organs; on the other, NGOs should have strong public management and decision-making capabilities for taking part in synergistic governance, and, on such basis, form a partnership relationship with the government.

Third, rules and regulations concerning public participation and social supervision. NGOs are the result of citizens forming associations freely. They are a social force with more of public nature which is operated and managed on the non-profit principle and committed to certain public affairs, and also a social community which more absorbs from society those resources of public interests or common interests. Despite the great difference between various forms of NGOs, generally

speaking, they can form widespread and open public participation mechanisms through membership, volunteerism and other means and receive extensive social supervision from the public and media by way of information disclosure and financial transparency.

Fourth, modes and regulations concerning network-based governance. Network-based governance refers to a multi-element co-governance system on a higher level formed on the basis of self-governance and synergy. It is usually established by a number of organizations with self-governing capabilities in accordance with certain purposes and procedures. Such organizations are mainly composed of NGOs, the government and enterprises, who get combined on the basis of a specific contractual relationship and cooperate with each other by leveraging their respective strengths, so as to realize their jointly-pursued public value. NGO's network-based governance mode emphasizes that, as one of the participants in network-based governance, NGOs should create network-based organizations (groups) with characteristics of NGOs while cooperating with the government, enterprises and other relevant organizations on a deeper level. Oriented towards programs, and linked through contracts, these organizations (groups) will endeavor to safeguard public interests, ensure coordinated interaction, and achieve mutual benefit and reciprocity through such basic behavior modes as inter-departmental consultation, common participation and joint actions.

(V) The operating system of a modern NGO system

The fifth aspect of a modern NGO system is the operating system, a kind of organizational operating system built on organizational management and operational performance. Such system not only has legal guarantee and policy support but also is subject to social supervision.

A modern NGO operating system shall include internal governance structure, information disclosure system, professional capability building and market-and-enterprise-based orientation. With fairness, transparency, accountability and efficiency as its major principles, a modern NGO operating system shall include the following four aspects.

First, a scientific and reasonable internal governance structure. Due to its non-profit, public and social nature, the internal governance structure of a modern NGO is different from that of either the government or an enterprise. To improve the overall capability of a NGO, it requires that composition of its decision-making body features specialization, democracy and a high proportion of social capital, its decision-making process follows the principle of democracy and openness, its supervision should be fair and come from external, and its management and implementation features professionalism and efficiency.

Second, a highly transparent information disclosure system. A modern NGO operating system requires that complete, genuine and accurate information about the organization, finance and activity as well as relating to public interests should be disclosed in a timely and convenient manner according to law, to the extent that such disclosure does not violate the privacy and trade secrets of donors, beneficiaries, cooperative agencies and other interested parties and also conforms with the

principle of maximum transparency. NGOs shall establish a basic information disclosure system to prevent any improper behaviors such as connected transaction, misappropriation or embezzlement of public welfare funds from occurring during the operation of any program.

Third, increasingly higher requirements for professional capability. A modern NGO operating system requires that NGOs shall have the professional expertise in appointment of leaders and staff, management of programs, and provision of services. Over the recent years, there is an increasingly obvious tendency that full-time leaders of NGOs should have professional background. Those leaders without professional capability find it harder and harder to be qualified for the position, while NGO leaders with strong professional capability have gradually become scarce resources for the whole society. Against the backdrop of rapid popularization of the mode of government purchasing services, the accumulation in NGOs of enormous public welfare and charity resources from the whole society, as well as competition between NGOs getting fierce, there is an ever higher requirement for NGOs to become professional in terms of talents, programs and services. Such requirement for higher level of professionalism in capacity will in turn drive the establishment of a series of rules and regulations concerning NGOs and their capacity-enhancing issues.

Fourth, NGO's market and enterprise-based orientation. Although NGOs are different from the government and enterprises, however, in practice, they not only interact more and more with the government and enterprises, but also draw experience from the market system in terms of the operating mechanism. They can use the various efficient, standardized and sustainable mechanisms of the former and change the way they participate in the society and provide services through market and enterprise-oriented operating modes. For instance, more and more market mechanisms can be introduced to the value maintenance and increase, fund-raising and operation, program management with regard to public welfare funds. More and more NGO leaders should have the spirit of entrepreneurs. In response to such needs, social enterprises, a type of special NGOs which address social problems through market mechanism, are also born. Both the cooperation between public welfare organizations and commercial organizations, and the innovation of social enterprises are indispensable to a modern NGO operating system.

To sum up, with the steady implementation of the three major principles—separation of government administration and NGO management, well-defined rights and responsibilities and self-governance by law, a modern NGO system comprising monitoring system, supporting system, cooperating system, governing system and operating system will gradually be established and perfected. China's NGO reform and development is set to present unprecedented endogenous impetus, playing the role of fresh troops in the social construction drive that is to be unfolded in all respects.

Chapter 3

Practical Exploration and Institutional Innovation in Co-governance by Multiple Subjects

Ming Wang and Chunting Wang

In 2014, Premier Li Keqiang for the first time put forward in the *Report on the Work of the Government* “to promote innovation in social governance, value the application of rule of law, and implement co-governance by multiple subjects”. As a new concept, co-governance by multiple subjects based on rule of law is an institutional innovation in social governance, representing a recapitulation of and a new requirement for China’s practical experience, and also a new realm for reform. This paper first explores practices in social co-governance, and then, by drawing on the theory of multi-center governance and the theory of government-society cooperation, analyzes the composition of multiple subjects in social co-governance and the relationship among them, discusses the ideological implication of multi-subject co-governance and finally suggests the mechanism for co-governance and the institutional guarantee for the realization of co-governance.

1 Social Co-governance: Practical Exploration in Co-governance by Multiple Subjects

1.1 Inevitability of Multi-Subject Co-governance

Over the past three decades and more, China has made enormous economic achievements, and thus also undergone drastic changes. Economic structural transformation has created a miracle of high-speed economic growth; industrial

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structural adjustment has changed the proportion of agriculture, manufacturing and service industry and the structure of labor force in China; changes in social patterns have caused urban population to exceed rural population; changes in governance structure have enabled the administrative mode to shift from the one based on bureaucratic authoritarianism to one based on rule of law and more citizen participation. Due to an integration of multiple transformations in political, economic and social aspects, and a highly condensed span of time, it will encounter huge contradictions and problems unseen in the history of either China or any other foreign country to simultaneously pursue various reforms in a power with a population of 1.3 billion. At the same time, reform measures formulated at specific conditions have become rigid systems, making it difficult to adjust and change the existing structure of interests. Fragmented public policies also made those local and adaptive reforms and patchy efforts unsustainable. At present, especially pressing are such issues as institutional transformation, the paradoxes of resource pollution and resource constraints and the structural adjustment of subjects with vested interests. Thus multi-subject co-governance based on rule of law has become the necessity for deepening reform in China.

Continued reform and opening up and a better-developed market economy have broken the original situation in China where the state takes care of all political, economic and social affairs. A relatively independent market system emerges from outside the state system; moreover, squeezed between the state system and market system, an emerging civil society organizational system also becomes increasingly independent and mature. Although a pattern with three independent systems of state, market and society has yet to take shape, with the gradual improvement of internal institutional environment, the market system, civil society organizational system in particular, is becoming more and more independent and playing an ever important role. As the reform of the government advances to a deeper level, transforming government functions and streamlining administration and delegating powers to lower levels have become a first priority for the new government. Canceling and delegating matters that require administrative examination and approval, setting out power lists and disclosing them to the society without exception, and comprehensively clearing up matters that do not require administrative examination and approval became the focus of government work in 2014. The reform of the government itself has made much room and created a favorable external environment for the development of the market and society. Market has become a decisive factor in the allocation of resources, which implies that the government should earnestly implement the principle of streamlining administration and delegating powers to lower levels and minimizing interference in microscopic economic affairs, and alleviate various negative impacts and “external effects” brought by the operation of a market economy through more reasonable measures. NGOs are delivering positive and prosperous prospects in terms of quantitative or structural optimization, social innovation, internal management and many other aspects. The network system and structural framework of various NGOs have begun to take shape. NGOs are being set up one after another, which show not only constantly-improved capabilities but also increasingly stronger demand and

impetus for participating in national and social governance. Therefore, under the circumstances that the tripartite system of the government, market and society gets more and more mature, the unitary governance system dominated by either the government or the market has been inadequate to meet the demands of economic and social development. A social co-governance mode, or rather co-governance by multiple subjects composed by the government, market and society, is ready to come onto the stage.

As a matter of fact, social co-governance or the multi-subject co-governance system based on rule of law is a requirement and institutional innovation which have been developed in practice in China. In terms of emergency management, after Wenchuan earthquake and Southern blizzard in 2008, a social-organization-participated emergency relief pattern has been developed, in which the government takes the lead and the society makes coordination; in practical exploration, the government has called on to perfect the disaster prevention and relief emergency mechanism characterized by level-to-level responsibility and mutual coordination. Specifically, the central government gives help and support across the board, while the local governments conduct unified mobilization from nearby. In haze governance, the government has called on to improve the new mechanism which allows common participation by the government, enterprises and the public, so as to realize inter-regional joint prevention and control. In terms of ecological and environmental protection, it is proposed to strictly implement the system of main functional zones, and explore the establishment of a cross-regional and cross-basin ecological compensation system; governments at all levels and the whole society are called on to get into action. In term of philanthropy development, the government's role has been transformed from being dominant to being supportive by making clear that the society should be given the dominant role in philanthropy. In terms of poverty alleviation, it proposes to guide social forces in participating in poverty alleviation. In terms of safe production of food and pharmaceutical, it proposes to establish the strictest supervisory system covering the whole process, establish a traceability system for the place of origin of food, and strengthen integrated social governance. In social service area, it proposes to expand service consumption and support social forces in setting up various service agencies, with the focus on such services as old-age care, health, tourism and culture. All requirements raised in practical explorations in various aspects have embodied the essence and connotation of social co-governance or co-governance by multiple subjects.

1.2 Practical Exploration in Multi-Subject Co-governance

Social co-governance characterized by co-governance by multiple subjects is not derived from Western practice, nor is it a recapitulation of Western social governance mode; instead, it is a recapitulative experience of practical explorations in China. In fact, the concept of social co-governance has been bred in the practical explorations and innovations in social governance by many local governments in

China over the past decade. For instance, after Wenchuan earthquake, faced with a couple of problems such as uneven distribution of post-disaster relief resources, serious loss in social resources and inadequate resource coordination, the “Mianzhu Post-Disaster Assistance Social Resource Coordination Platform” was jointly set up and maintained by the Mianzhu municipal government, for which China Social Entrepreneur Foundation (You Change), McKinsey & Company and other agencies provided voluntary services and coordination and support in terms of human resources, technical platform and capacity building. The building of this platform has changed the unitary dominant position of the government in emergency management, formed an equal cooperation relationship between the government, NGOs and enterprises. This open platform has provided conditions for the integration of resources and cooperative interaction among different subjects. In another instance, after Ya’an earthquake, six foundations including “China Youth Development Foundation”(CYDF), “China Foundation for Poverty Alleviation” (CFPA) jointly initiated the “Foundation Disaster Relief Coordination Meeting”, which has established a communication and coordination mechanism for foundations and the government involved in the disaster relief for Ya’an earthquake, promoted the integration and complementation of disaster relief plan of foundations and that of the government, and facilitated exchange of information and action coordination among foundations. During post-disaster reconstruction, in the face of such problems as absence of openness, transparency, constraints or checks and balances in the exercise of public powers in grass-root governance, Pengzhou City of Sichuan Province has developed the program of “listening to opinions of the masses” using mobile internet platform, establishing a fundamental control and supervisory system for exercise of power under the co-governance by multiple subjects; meanwhile, Nanhai and Zhuhai of Guangdong Province are also using mobile technology to explore innovations in fundamental governance, and have achieved obvious effects. For one more example, the social composite subject in Hangzhou is a “new entrepreneurial subject” characterized by multi-tier architecture, reticular connection, functional integration and strength complementation. It is a vigorous association which involves a wide spectrum of personnel with different background from the Party and the government, the intellectual, industry to the media circles. This also contained some elements of co-governance by multiple subjects. All these explorations underscore the concept and quintessence of social co-governance.

2 Social Co-governance: Institutional Innovation in Co-governance by Multiple Subjects

Social co-governance characterized by co-governance by multiple subjects based on rule of law in social governance is a crucial aspect of modernization of national governance system and governance capacity, which not merely involves social governance by the government, but co-governance by the government and society.

Or rather, it is a process jointly advanced by the government and the society. Which multiple subjects are involved in social co-governance? What is the relationship among these subjects? What is called co-governance? What kind of status can be termed co-governance? What is the mechanism for co-governance? How can we realize co-governance by multiple subjects through institutional arrangements? The theory of multi-center governance and the theory of government-society cooperation in the science public management can provide theoretical guidance and revelations for us to understand social co-governance.

2.1 Subject of Multi-Subject Co-governance

In foreign academia, subjects of governance are summarized as public agencies, private agencies and non-profit organizations. In the discourse system of China, they are correspondingly expressed as the government, the market and NGOs. This summarization is reasonable to some extent by focusing on three main levels, but is not so complete. The complex and diversified development trends of a modern society make policy-making in it rather difficult, requiring more professional experience, special information, expertise knowledge and cooperation and involvement from different opinions, and also requiring more social powers to get involved in order reconstruction. This apparently cannot be undertaken by any individual organization, or realized simply through cooperation between organizations. It requires all social aspects to undertake respective responsibility for public affairs, and requires organizations and individuals representing both “public” and “private” interests to get involved. To our understanding, subjects of multi-subject co-governance cover five levels: the central government, local governments, enterprises and various market entities (including consumers and trade associations representing interests of an industry as a whole), NGOs (of both public interests and mutual interests), citizens and citizens’ self-organization of various forms. Depending on the variation between the problems being addressed, the structure of multiple subjects shows difference, which can either be composed of governments at all levels, or composed of cross-circle subjects including the government, the market and the society. Analyzed from the perspective of spatial dimensions, multiple subjects should not merely stay on the national level, but should also include national and regional, cross-regional, cross-departmental, cross-domain and other levels. These multiple subjects are independent from each other. They may be of principal-agent relation, or of cooperative relationship, or possibly be game-playing relationship with both competition and cooperation. For instance, dealing with terrorist events entails cooperation between international, inter-district, and inter-domain multiple subjects; dealing with environment, water resources, and haze may also entail game-playing and cooperation among different subjects, including among governments at all levels, among the government and enterprises, NGOs, and citizens.

In the five dominant levels of multi-subject co-governance, NGOs have become the core subjects of social co-governance. This is because: on one hand, the public domain and the private domain formed with the development of a market economy have become mature, while social domain fails to get developed in the course of social transformation. Therefore, there remains much room for social domain to expand itself, and social domain can be well developed as to become social co-governance subjects in parallel with public domain and private domain. Social domain is not a simple sum of the government, the market and individuals, but a fresh growing space, which mobilizes social resources and whose predominant participants are the public and NGOs. On the other hand, the sociality, civility of a NGO, as well as its relative independence from the system, have enabled it to have the institutional resources to stand clear of any market failures; while, compared with the market forces outside the system, it by no means exists outside the system and thus has no danger of confrontation or even resistance. Such organizations naturally inexplicably associated with the existing Party and governmental system. These civil NGOs, which exist outside the system and also exhibit institutional characteristics, can absorb more resources of public or common interests, and are therefore those social co-governance subjects that are to be cultivated and supported by the government. Needless to say, NGOs have become an effective new institutional factor in solving institutional failures. In particular, NGOs of public interests shoulder themselves with the task of providing public services and advocating public policies, and are dedicated to meeting diversified and specialized social needs, so as to fill up those blank social areas which the government cannot manage or cannot afford to manage. They also rely on their extensive public opinion foundation and solid professional capability and build institutionalized policy consulting mechanism with governments at all levels, so as to influence the process and results of decision making, propel public policies to reflect the common value and interests of relevant multiple subjects and develop supervising forces equivalent to the state institutions in the course of implementation of decisions for effectively restricting public powers from ever expanding.

2.2 A Multi-Subject Co-governance System

Multi-subject co-governance on the basis of rule of law implies the concepts of rule of law, negotiation and self-governance. It is a mutually integrative and complex open system based on rule of law and some extent of self-governance. As contrasted with rule of man, rule of law is a fundamental system in a modern society and also an external condition for multi-subject co-governance. The core of rule of law is to define the powers and rights and standardize the relationship between the two, with the focus on restriction of public powers and with legal system as the criterion for judgment. In multi-subject co-governance, powers and public responsibilities of different governing subjects must be dealt with on the basis of rule of law. Some extent of self-governance by multiple subjects is the premise of

co-governance. This is because multiple subjects lacking some extent of self-governing rights cannot get rid of the top-down bureaucratic control, and thus cannot restrict the expansion of public powers. It cannot realize the objective of co-governance and will revert to the unitary co-governance mode since it departs from the concept of openness, equality and negotiation, and restricts each subject from giving to play their respective functions and strengths. Just as Ostrom said, "In a multi-tier system, it will be impossible to fully realize the strengths of multiple centers unless appropriate self-governing rights have been granted to each tier." If a unitary governance and decision-making system is either top-down or bottom-up, then a multi-subject co-governance and decision-making system will be a public domain formed through free entry, equal communication, demand expression and negotiation and dialogue. Publicity, openness and diversity are its basic characteristic. On one hand, as different opinions are gathered into this domain, differences will be set aside and consensus will be reached through dialogue, competition, compromise and cooperation. Finally, collective actions are taken to deliver collective decision-making results; on the other hand, public domains composed of multiple-subjects can help check and balance government autocracy, power and monopoly over capital, which is conducive to the formation of common interests and the realization of co-governance. Progress in the Internet technology opens a public network space and platform, and provides a technical platform in support of multiple subjects for co-governance to freely access, communicate, compete, negotiate and dialogue on an equal par.

2.3 Mechanism for Multi-Subject Co-governance

The five core mechanisms in multi-subject co-governance include dialogue, competition, compromise, cooperation and joint action, among which cooperation is the most important. Here we will focus our discussion on the cooperation mechanism which is formed through dialogue, competition, and compromise. With the introduction of such concepts as democratic politics, federalism, separation of powers, political participation, social capital and culture, the divergent and even confronting zero-sum game-playing between the state and the society has become outdated. On one hand, rapid development of reform and opening up and market economy have aggravated the unbalanced accumulation of social wealth and ever-widening division between the rich and poor in society, with social conflicts and contradictions becoming increasingly salient; at the same time, in the course of institutional transition, government reform and social transformation, the government itself is also faced with functional transformation in all respects, and the relational pattern between the state and the society also needs to be reconstructed. While an ever-increasing public needs and an acute scarcity of supply of public services by governments at all levels and other contradictions have expedited the process of government-society cooperation. On the other hand, with the deepening of government reform, the advance of governmental functional transformation, and the

rolling out of top-level designs for modern society organizational system, the enthusiasm of the whole society to form associations has soon be aroused to give overall responses in a bottom-up manner. NGOs have ushered in a new development upsurge and broader development space, including social space and even political space; at the same time, the citizens' initiative in social governance continue to rise, various market entities become more and more active in an increasingly sound market economic system. With the implementation of a series of measures in administrative approval system, industry and commerce registration system, taxation system, these market entities will play a more and more important role in multi-subject co-governance. As such, the state and the society will have widespread, extensive and in-depth interaction and cooperation, and integrate in an "inextricably associated" manner. A cooperation pattern of co-living, co-existence, co-prosperity will become the development trend. The government-community cooperation may take different modes. We will briefly introduce four major modes.

First is the corporatism mode. Corporatism is aimed to associate the organized interests in a civil society to the decision-making structure of a nation, and seeks to establish an institutionalized connecting path and regular interactive system between NGOs and the state. Simply put, it is to establish an orderly, stable and institutionalized partnership between the state and the society and solve social conflicts and disorder by replacing competition and repulsion with cooperation and negotiation. With the advance of reform of NGO management system, a unified direct registration system has been opened for four major categories of NGOs. The state recognizes the legitimacy of NGOs which are relatively independent in a "bottom-up" manner, and allows NGOs to gain opportunities for cooperation with the government on the basis of bottom-up competitive elimination. In this way, a great number of NGOs get involved in cooperation, the functional division between NGOs becomes blurred, and NGOs accept state recognition and management. It needs to point out that, government-community cooperation under the mode of corporatism is by no means an administrative hierarchical controlling relationship. NGOs are by no means an extension of the government, but a relatively independent and equal cooperative subject.

Second is the collaborative governance mode. Over the recent two decades, a new governance theory called "collaborative governance" was developed. Such theory aims to gather multiple interested parties, including the government within common forums where the boundary between public and private sector becomes blurred, thereby reaching consensus and making (consensus-oriented) decisions through negotiation. Ansell, Gash and other scholars have outlined collaborative governance from six aspects, i.e. with respect to issues with public policy or public management, cooperation is initiated by the government and other public agencies. The governing subjects include relevant interested public and private sectors, and non-interested parties (nonstate actors). Instead of merely acting as consultants to public agencies, these subjects directly get involved in the decision-making process. The public forums for negotiation will be operated in an organized manner and requires common participation. The purpose of negotiation is to reach consensus and adopt joint decisions.

Third is the third-party governance mode. Third-party governance stresses enabling public and non-profit organizations to share, to a great extent, responsibilities, public funds and public authority and non-profit organizations to join in by relaxing part of public sectors, so as to ensure that public services are provided, to some extent, in a diversified and competitive manner, thus making it easier to improve efficiency and reduce costs. In essence, the government and non-profit departments are jointly acting on a common purpose, and meanwhile, achieve their respective goals by coordinating/integrating and replenishing resources. It is worthwhile to mention that the government's needs for efficiency, cost, responsibility and fairness must be coordinated with the independence of non-profit organizations.

Fourth is the contracting relationship mode. Contracting relationship mode is the direct product of a new public management move, which is considered as the best choice for replacing the public service supply mode under the traditional bureaucratic system; it means the government outsources public services to other governments, private sectors or non-profit organizations by way of entrustment or purchase, with the aim of reducing cost and improving efficiency. Depending on different policy environment, three different contract modes can be adopted: competition, negotiation and cooperation. Contractual relationship mode also embodies such implied values as cooperative participation, democratic administration and fairness and efficiency.

2.4 Institutional Guarantee for Multi-Subject Co-governance

Power exercised by multiple subjects in co-governance is not public power in its general sense, nor private power or a combination of public power and private power, but a not-to-be-monopolized social power for an uncertain majority. The boundary of power is not so clear-cut. Multi-subject co-governance is a process in which multiple subjects of power get integrated with each other through many kinds of mechanisms. In the course of such integration, the right to exercise powers, distribute resources and share responsibilities among multiple subjects is the legal guarantee for realizing co-governance. There is much we can learn from the theory of the multi-center governance, such as its views on how to deal with powers, resources and public responsibilities among multiple subjects.

First of all, the multiple subjects can exercise their power by two ways: making negotiation and establishing rules. In a diversified, complex and open system, multiple subjects of power argue over different issues or policies, so as to identify differences through repeated dialogue and competition, and balance interests of all subjects through repeated compromise and cooperation, thereby working out collective actions. Though this process of repeated negotiation will increase the cost of coordination, such increase will actually be offset by the resulting public policies

and desirable effects. It needs to be noted that the size of cost of coordination shall be dependent upon the organizational mode of subjects of power and their relationship. Cost of coordination involved in a mutually beneficial relationship is lower, while cost involved in zero-sum game-playing relationship is higher. When it is impossible to effectively coordinate interests of multiple subjects and come up with collective action plans through open negotiation, ideal results may be achieved by establishing new rules. The reason is that, in multi-subject governance, the exercise of powers by different governmental agencies differs greatly in nature, establishing new rules will help convert external problems into internal ones. For instance, in sewage treatment, the provision that a sewage outlet is to be set at the upstream of a water inlet will compel each subject of power to deal with external problems in the internal, thereby achieving ideal treatment results. It needs to make clear that rule of law is the fundamental basis for resolving conflicts of power or disputes over jurisdiction.

Next is the allocation of multiple resources. As individuals have different needs for public services, unified service arrangement may cause deviations. Moreover, individual needs in a small group tend to be more homogeneous. Therefore, compared with a highly centralized bureaucratic system, the decision-making process of multi-subject co-governance can more effectively define the needs for services and goods; allocation of resources should be determined by the nature of the multiple subjects for decision-making. For governments in a country or region, cross-regional, cross-departmental multiple-tier governments, due considerations should be given to such issues as how to distribute tax payments, allocate categories of taxes and transfer payments; for the government, NGOs and private sectors, efforts should be made to give full rein to respective strengths of multiple subjects, use market tools and other policy tools to allocate resources and improve efficiency in such allocation.

Finally comes the way to deal with responsibilities of multiple subjects. The theory of multi-center governance proposes two kinds of responsibility-undertaking modes: one is to assign responsibility to bigger entity or subject of power under jurisdiction so as to enlarge the subject of responsibility, and establish a level-to-level accountability supply mode; the other is entrustment, i.e. the central or regional government entrust local governments with certain services, or the government entrusts NGOs and private sectors to provide services, thus establishing a multi-tier responsibility-sharing mode. These two kind of responsibility-undertaking modes can provide valuable lessons for multi-subject governance. It needs to be emphasized that the fulfillment of service responsibility is closely related to the willingness and capacity of the public to get involved.

2.5 Results of Multi-Subject Co-governance

The system of multi-subject co-governance does not simply refer to cooperation between the government and NGOs, but also includes negotiation, game-playing and cooperation between the central government and local governments, among

local governments, and among the government, the market and the society. Co-governance is not a top-down process of direction and management, but a process in which multi-subjects conduct dialogue, competition, compromise, and cooperation with each other and finally take joint actions. Co-governance changes the initial motive and behavior mode of the participant in that it enables multiple subjects to identify their differences through dialogue and competition, reach consensus through compromise and cooperation and take joint actions. Joint actions may bring about new higher objectives and choices, bringing about results surpassing previous consensus. It is hard to say which party the results of co-governance stand for, since co-governance is a process for multiple subjects to get integrated through mechanisms of negotiation, game-playing and cooperation. In such an integrative process, the boundary of interests between each other is completely smashed and finally the result representing common interests is obtained. Such a result is impossible to divide up and is co-owned by all subjects. It is associated with interests of all subjects and covers all the subjects, so that free-riding behaviors would be effectively averted.

3 Conclusion

China is at an important period for political structural reform, economic structural transformation and social transformation. In the course of government reform and functional transformation, and empowerment and capacity-building of the society, co-governance based on rule of law, which is derived from and serves as guidance for practice, is an important institutional innovation. In a complex open system, multiple subjects on five different levels including the government, the market, and the society integrate with each other, reach consensus and take collective action through dialogue, competition, compromise and cooperation. The ultimate outputs from social co-governance characterized by co-governance by multiple-subjects do not belong to the public or private, but are owned in common by all participants, representing the common interests. Multi-subject co-governance does not mean the exit of the government, nor “a small government or a weak government”, but a mode of “a small government, a strong government and a big society”. Social governance is organized and initiated by government departments to establish a multiple-subject co-governance space to deal with certain public affairs; in this co-governance space, the government and other co-governance subjects are equal in negotiation and decision-making, share common interests and jointly undertake consequences and responsibilities for co-governance. At present, we should do the following to realize co-governance by multiple subjects: first, adhere to the principle of rule of law and improve it; second, enhance the governing capability of multiple subjects including governments at all levels, various market entities and NGOs; efforts should be made to set out the intra-governmental and inter-governmental boundary of rights and responsibilities, promote separation of the government administration and market regulation, separation of government

administration and NGO management, define the functional division and power boundary between the government, the market and the society, delegate powers to the market and the society, creating more space for co-governance by multiple subjects; third, develop and improve co-governing techniques, thus providing technical support and platform support for co-governance by multiple subjects.

Chapter 4

Incremental Co-governance: Investigation of Hangzhou Experience of Driving Reform Through Innovation

Ming Wang and Liu Guohan

From the institutional perspective, the term “governance” means establishing and maintaining a series of codes of conduct whereby different social players may achieve certain common goals (Rosenau James 1995). Seeking the most appropriate governing mode remains a central goal for political development and reform in all modern countries. Since the founding of new China, its functional orientation has gone through an evolution from “ruling”, “rectification” to “regulation” and further to “co-governance”. The idea of “ruling” is based on a definite division of classes, and the function of a state is to realize the will of the ruling class. However, with the disappearance of “antagonist class”, the work priority of the government was shifted to economic development, then, the realization and maintenance of certain established norms and order through regulation and rectification became the major task of national governance. Since 1990s, as the market played a more and more important role in resource allocation, the “regulation and rectification” by the government has gradually lost its basis, and effectively managing the society has become the major approach for resolving conflicts and contradictions.

Ever since the turn of this century, China’s society has also undergone drastic changes along with the high-speed economic growth. First, due to rapidly-increased urbanization, and advances in Internet and communication technologies, people’s subject consciousness has been greatly strengthened. Subject consciousness is manifested in one’s initiative in making decisions, freedom in making value judgment and convenience in taking joint actions. In a modern society, people not only expect to be satisfied in term of basic needs for clothing, food, housing and traveling, but also have intense desires for health, dignity, involvement, environment and their

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children's future development. Next, as social division gets more elaborate, and talents, capital and goods flow increasingly faster, people are faced with unprecedentedly complicated social problems. All current problems such as ecological environment, food safety, poverty alleviation and disaster relief, and urban management, which attract wide attention, not only cover many fields, but also involve multitudes of departments, groups and institutions. In such case, the traditional bureaucratic management mode featured with divided segments and clear-cut hierarchy will be inadequate when addressing complicated social problems. Lastly, the density and capability of NGOs have been greatly increased, non-governmental grass-root organizations and community-level residents' self-governing organizations are growing rapidly, and the emergence of social elements has raised higher requirements on the mode of and approach for governance.

In response to rapid changes in society, the academic circle also put forward many plans for reforming governance mode, among which the most common ones are "participatory governance", "multi-center governance", "network-based governance", "governance-society synergistic governance" and "cooperative governance". Although these governance modes have their own strengths and focuses, they exhibit different shortcomings in adapting to the specific practice in China's social management innovation. This also demonstrates that China's social management system is in a period of proactive exploration and readjustment. The *Report on the Work of the Government* officially issued in March 2014 required "promoting innovation in social governance, valuing the application of rule of law, and implementing co-governance by multiple subjects". "Co-governance by multiple subjects" can be considered as a preliminary conclusion for the explorations and reform made by China in social governance during this period. It is also called "multi-subject co-governance" or "social co-governance".

1 Social Co-governance and Predicament for Its Realization

The paradigm for social governance has reflected the latest developments in theories on governance. Jan Kooiman (2003) has made a systematic classification and comparison on the modes of governance, concluding that there exist three major modes of governance, i.e. self-governance, co-governance and hierarchical governance. According to the definition of Jan Kooiman (2003), co-governance refers to cooperation between different groups on an equal basis, including various forms of unions, networks, and public-private partnerships and joint ventures of governments and private citizens. Bode and Firbank (2009) believes, co-governance not only can effectively cure the fragmentation issues arising from the government when it is providing public services, but also is a preferred alternative for solving the complex and dynamic situation involved in supply of public services.

Social co-governance first recognizes that the society has the capability to govern itself. The concept of “ruling” entails a definite acting party, while “governance” is not the case, as governance itself contains the meaning of “self-governance”. In the economic field, a market economy is, to a great extent, a domain for self-governance, which entails only a little intervention and maintenance. Just as Elinor Ostrom (2012) has noted, when it comes to the use and allocation of the resources in public pools, culture, convention and local custom could still deliver efficient self-governing rules where the market system and state system fail. In the domain of civil society, people can develop self-governance within a certain sphere by taking joint actions through negotiation, voluntary actions and non-profit organizations. Rhodes (1997) simply defines governance as a mutually-dependent and cross-departmental network which is independent from the government and has noticeable capability of self-governance and self-organization.

Social co-governance emphasizes stimulating the vigor of multiple social subjects. As there is no omnipotent administrator or controlling party, social co-governance may gain the prospective results only when each party concerned gets actively involved. Different social subjects have totally different values, operating logic and resource reliance modes. Effective social co-governance requires respecting the values and interests of other social subjects to the extent that is allowed by the law and social norms. Social subjects linked with each other according to the principle of free will, which may be in the form of definite contracts, or an open platform, or a semi-closed alliance and association or even indistinct domains and atmosphere.

Social co-governance admits status differences among social subjects. Social governance structurally contains mutual cooperation and competition between multiple subjects. However, to achieve common goals, it is often necessary that some social subjects take principle responsibility, playing a leading or guiding role in social governance. Especially in regions where social forces are immaturely developed, social co-governance often takes the form of social co-governance dominated by government departments. However, in some more professional and technical fields, trade associations and non-profit organizations may become the dominant forces in social co-governance.

To sum up, social co-governance has the following features: on one hand, it integrates the strengths of many new emerging governance modes, and lays its emphasis on enhancing the society’s self-governing capacity, stimulating social vitality and advocating fair cooperation between multiple governing subjects for social governance, and can correspondingly solve major issues faced by the current society; on the other hand, it is highly adaptive in that it particularly stresses improving the government’s governing capacity and management efficiency, allowing government departments to take the initiative in certain fields and proposing to determine the structures and procedures for governance in accordance with the specific nature of the problem addressed. Zhang Kangzhi (2014) believes, in the context that multiple governing subjects coexist, any joint action to conduct social governance must be based on cooperation. So to speak, social co-governance is an important development in the effort to adapt theories on governance to China’s

national conditions. Just as Li Huifeng (2014) puts it, the discussed social management innovation can be summed up as an effort to seek a co-governance pattern among the government, the market and the society. What we are going to establish is a system in which multiple governing subjects govern the society on a cooperation basis.

Depending on the degree of cooperation among multiple subjects, social co-governance may be divided into three different levels. The lowest level can be called the absorptive social co-governance, in which one social subject absorbs the other social subject into the process of serving its own function and the subject being absorbed has not much enthusiasm. In the current practice of social management innovations, typical case of this kind of social co-governance is that the government departments absorb NGOs, experts or other individual citizen of related interest into the decision-making process of the government, while the participants have no substantial impacts on the decisions of the government departments. The second level can be called negotiated social co-governance, in which multiple subjects may have unequal status, but they can reach consensus through some negotiating procedures. The third level can be called power-sharing social co-governance, in which multiple subjects have not much difference in strength, so that they can not only have negotiation, but also can restrict and supervise each other. Power sharing is an ideal goal of social co-governance.

However, rationality of the goal does not necessarily mean convenience of the path, especially in the current period when NGOs are not so developed and the mode for citizen participation is not so standardized. How to realize social co-governance in its true sense remains a problem to be well-solved both in theory and in practice.

The society is a domain where multiple different subjects associate and compete with each other. In a relatively stable society, each subject has resources and rights that he could get hold of. Those existing (or prospective) resources and rights are the resource stock of a subject. Social co-governance is a new mode of governance, and reform in mode of co-governance will invariably bring about adjustments of interest relationships among subjects. The major risks encountered in social management innovation are coming from objections or passive responses of the existing governing subjects. Therefore, the key to the success in social co-governance lies in how to alleviate resistance for reform and how to deal with conflicts between new governing mechanism and the existing administrative mechanism.

2 Growing Point of Social Co-governance in Hangzhou

Since 1990s, Hangzhou has started to solve problems encountered in urban development by exploring all kinds of modes for social co-governance. Nowadays, social co-governance programs could almost be found in every aspect of urban development and life of citizens in Hangzhou. To sum up, they are reflected in five major aspects: first, Hangzhou has resolved the contradictions between cultural

heritage protection and economic development, ecological environment construction and vital interest of residents by creatively linking various agencies, finding institutionalized development modes for Xiling Society of Seal Arts, and comprehensive protection of Beijing-Hangzhou Great Canal, West Lake and Xixi Wetland. Second, Hangzhou has ingeniously consolidated forces from all sectors to establish a number of industry-promoting organizations and platforms such as the Silk and Women's Clothing Industry Alliance, the Infant and Child Industry Alliance, and Hangzhou West Lake International Expo, Hangzhou World Leisure Expo, Hangzhou Animation Festival, which help uplift the market position and image of local industries. Third, Hangzhou has developed many channels for citizen participation. On the community level, there are such programs as "civil courtyard renovation office", "civil food security office", "popular sentiment collegiate panel", and "Hubin Barometer"; on the level of Internet, there are "Hangzhou Congress Hall" and "Online Legal Team"; on the level of TV media, there is "Conversation with Us Round Table". These channels for citizen's participation have not only effectively diverted public opinions, but also substantially improved people's living, thus enhancing residents' trust on the government departments. Fourth, there emerge a number of influential grass-root non-governmental organizations, such as Green Zhejiang, Dishui Charity, the Ninth World, and Association of Community Peacemakers. Dedicated to their respective service areas, these grass-root non-governmental organizations have established a sustainable development mode and become important representatives of emerging social forces. Fifth, there also appear some well-being service programs with unique characteristics, such as "Life Quality Experiencing Day", "Green Public Bicycles" and "Buses Yielding Right of Way to Pedestrian", which not only bring convenience to the life of citizens, but also uplift the overall image of Hangzhou.

Seen from the field with problems, social co-governance in Hangzhou mainly occurred on the fringe zones of those conventional fields of social management (such as poverty alleviation and relief, charity, education, population and medical and health services). Cultural heritage protection, ecological environment, industrial upgrading and transformation, community resident participation and urban brand enhancement are fields that conventional social managing subjects do not quite value or are not quite willing to get involved. Seen from the subjects relied upon, social co-governance in Hangzhou mainly relies on social composite subjects, enterprises, grass-root non-governmental organizations. NGOs in the conventional system can only get involved in these projects in new ways. An important experience for social co-governance in Hangzhou is "joint action by four circles". The "four circles" refers to "the circle of Party and government, the circle of enterprises, the circle of media and the circle of intellectuals". Nevertheless, NGOs which are generally considered to be capable of representing social forces and performing the function of social management have not been given due prominence under the framework of "joint action by four circles". It follows that, "joint action by four circles" has actually implied the strategy of incremental innovation. It seeks to first develop NGOs in accordance with the new idea of social co-governance on the fringes of the conventional social management system, and influence agencies and

organizations within the existing system through the reverse-pressurizing mechanism and demonstrative effects, and then explores for the integration of the old and new management systems till when conditions become mature.

2.1 Expanding New Fields for Social Management

Conventional social management emphasizes the basic, material and orderly parts in a society. However, with the increase of people's levels of needs, those special, spiritual and dynamic parts of social activities also need to be included in the scope of management. One important characteristic of social co-governance programs in Hangzhou is that a great majority of problems addressed do not belong to conventional fields of social management. Instead, they are seeking breakthroughs in those new fields of social management.

(1) Fields uninvolvement in conventional social management system

In the most typical case, those fields not involved in conventional social management system are chosen as the breakthrough points for social co-governance. First, conventional social management system is a vertically controlled bureaucratic system and departments at different controlling sequences can hardly establish a long-term and stable cooperative relationship, therefore much room remains to be filled up. Universities are quality symbols of a city, and also intellectual sources boosting urban development. Hangzhou City formed a strategic alliance with Zhejiang University and China Academy of Art, respectively, and established an all-round interactive and trusting mechanism between the city and universities, achieving good cooperation and win-win results. Moreover, due to the divided departmental interests, conventional social management departments are not willing to manage many a field. Finally, each department will control limited resources, and many fields are not managed effectively due to insufficient capability. For example, the program of "lawyer serving communities (villages)" in Hangzhou, launched in 2009, is a welfare program aimed to provide basic legal services for the masses in the form of government purchasing services. Community (village) resident lawyers help the needy residents to obtain legal assistance according to law through legal lectures and on-the-spot counseling. According to the division of administrative affairs, this is not a priority work of the Municipal Judicial Bureau. However, to promote this program, Hangzhou set up a guiding and coordinating group, with the municipal deputy Party secretary as the head of the office set at the Lawyer's Association of Hangzhou. Judicial departments of governments at all levels are the guiding departments of this work, the general lawyers and Schools of Law of universities in Hangzhou provide support to this program in human resources, and communities (villages) are service sites. Thanks to such a co-governance structure, the work that is too much for a single department can now become a vigorous, well-performed and sustainable

program through participation by different agencies and organizations. By 2012, all communities (villages) in Hangzhou, including the main urban districts, Xiaoshan District, Yuhang District, Fuyang City, and Lin'an City, have been provided with resident lawyers. All work allowances for resident lawyers are paid by fiscal departments at both municipal and district levels to Lawyer's Association of Hangzhou in the form of government purchasing services. The Municipal Lawyer's Association, in the principle of corresponding jurisdiction, unified recommendation and two-way selection, organizes law firms to form pairs with communities and sign uniform service agreements.

- (2) Fields with overlapping functions of conventional management departments
 Since conventional management departments have overlapping functions, the situation "all the departments are authorized to manage one thing but none can manage it well" may occur. So, in such fields, desirable results may be achieved if social co-governance method is used. Food safety is a typical social problem which sees undesirable results under the mode of multiple-subject management and receives much criticism from the masses. In 2009, multiple agents including Hangzhou Municipal Bureau of Quality Supervision, Hangzhou Brand Office, China Jiliang University, Hangzhou portal website (<http://www.hangzhou.com.cn/>), and Hangzhou TV Station jointly published the "Hangzhou Food Safety Index" (the Index), which found a new idea for supervision over food safety. In the design of the system, the Index has introduced the concept of residents' attention on the basis of residents' actual consumption habits. In sampling, the Index has adopted the "1 + X" sampling method, i.e. in addition to the samples taken and purchased by departments of quality supervision, sixty citizen representatives were randomly drawn as voluntary quality investigators, who will directly get involved in the whole process from sampling, monitoring and index calculation. In terms of the release of such index, a "five-in-one" release mechanism is adopted, which includes government leading, industry dominance, expert instruction, media guidance and citizen participation. The Index is not only reported on Hangzhou TV station, Hangzhou portal website (<http://www.hangzhou.com.cn/>) and other important media, but also publicized by expert lectures, index interpretation, and community advertising to effectively influence the lives of citizens and deter the enterprises from illegal behaviors.
- (3) Fields on different levels from conventional social management issues
 Conventional social management focuses on providing basic services to the society, while social co-governance can begin with comprehensive, abstract and indirect issues. Since Hangzhou is a renowned tourist city, a developed catering industry holds great significance to the local economy. In 2008, by reorganizing the former Hangzhou Catering and Hotel Industry Guild and Hangzhou Cooking and Catering Industry Association, Hangzhou established the Catering and Hotel Industry Association, an association with partial function of industry management and is mainly made up of catering enterprises and hotels in Hangzhou. In 2012, a number of agencies, including Institute of Cooking

Culture under Zhejiang Gongshang University, Zhiwei Guan·Weizhuang, Grandma's Home Catering Operation Co., Ltd., Hangzhou City Brand Promotion Association, Hangzhou Development Research Institute, initiated to set up the Cuisine Culture Brand Promotion Association of Hangzhou (the Promotion Association). The major tasks of the Promotion Association are to promote construction of cultural value of the cuisine industry, improve cultural tastes, establish brand image, and develop a harmonious ecology. Its functional orientation is quite different from that of Hangzhou Catering and Hotel Industry Association. The president of the Promotion Association is the Director of the Institute of Cooking Culture under Zhejiang Gongshang University, instead of the President of a catering company. Each year, the Promotion Association will hold an "International Conference of the People's Food", which has achieved encouraging effects in upgrading the quality of and enlarging the international awareness of Hangzhou-styled dishes.

(4) Fields explored by conventional social management departments

Lastly, conventional social management subjects are also making trials and explorations in some fields, where appropriate social co-governance innovation may also be made, for example, how to develop community-level NGOs and realize effective community governance? However, development of community-level NGOs and realization of effective community governance cannot be achieved just within a community. A community is a grass-root unit and has extensive association with other departments in society. Only by integrating forces in communities and needs of other departments in an organic way, can we realize effective community governance. In 2009, Hubin Subdistrict Office of Shangcheng District of Hangzhou established the workroom of "Hubin Barometer", the first sub-district-level democratic and well-being interactive platform in China, by reorganizing a couple of former single-itemed sentiment information platforms, such as "Live Telecasting Center of Community and Popular Sentiment Information", "Live Telecasting Center of Public Opinions", "Grass-root Quality Supervision Station" and "Peacemaker". The workroom of "Hubin Barometer" sets up "popular sentiment observatories" at the sub-district level, with the secretary of the Party working committee of the sub-district as the head. "Popular sentiment observatories" are set up in each of the six communities under its jurisdiction, headed by Party secretary or deputy Party secretary of the community. Popular sentiment observers are composed of people from the community who are willing to get closely involved in public affairs, ranging from Party representatives, NPC deputies and CPPCC members, retired employees and new citizens to Hangzhou. "Popular sentiment forecasters" are composed of heads of relevant departments at the municipal and district level as well as experts and scholars. In addition, the workroom also established a joint action mechanism with many media including *Hangzhou Daily*, Hangzhou portal website (<http://www.hangzhou.com.cn/>), and Hangzhou TV Station. Agencies and enterprises from public transport, water affairs, electricity and municipal administration also

actively take part in various talkfests hosted by the workroom and undertake their due share of social responsibilities.

2.2 *Cultivating New Social Subjects*

In a broad domain of social relationship, social subject is a generic term referring to organizations and individuals which have certain capacity for making independent decisions, taking actions and undertaking corresponding responsibilities. The advance of any social undertaking requires establishing appropriate organizations and agencies. Common social subjects include government, public institutions, NGOs, enterprises, community-level self-governing organizations and individuals. In the development of social co-governance, Hangzhou not only pays attention to the reform of existing social subjects, but also to the cultivation of new social subjects.

Since 2000, Hangzhou has successively established such social composite subjects as the Strategic Cooperation Organization between Hangzhou and Zhejiang University, Silk and Women' Clothing Industry Alliance, Tea Industry Alliance, Xiling Society of Seal Arts, Digital TV Industry Alliance, Hangzhou West Lake International Expo, Hangzhou World Leisure Expo, and Hangzhou Animation Festival. In an effort to advance the comprehensive protection of West Lake, Beijing-Hangzhou Great Canal, Xixi Wetland, and Daliangzhu Historic Site as well as the construction of Qianjiang New City, other social composite subjects were also set up. Social composite subjects intend to boost social project construction, intellectual entrepreneurship, and career development by striking a proper balance between social benefits and business operation. It is a new entrepreneurial subject featuring a multi-tier architecture, reticular ties, integrative functions and complementary strengths. It is composed of people of different social backgrounds, ranging from the Party and government circle, the intellectual circle, the industry circle and the media circle, which actively set up their own associations.

Compared with conventional social governance subjects, social composite subjects in Hangzhou have distinctive features. In terms of composition, social composite subjects include organizations and individuals from the Party and government circle, the intellectual circle, the industry circle and the media circle. As a result, over a conventional longitudinal governance structure where orders goes level-by-level from higher authorities to lower departments, cross-domain horizontal governance links have taken shape. In terms of function, once social composite subjects reach consensus through negotiation, communication and contracts, each of them will make its own contribution to the solving of social problems of common concern. Although social composite subjects are formed by reorganizing organizations and individuals from different fields, they have also developed their own subjectivity in the course of solving problems, executing projects and communicating with each other. Some social composite subjects can operate by relying

on organizations with a definite form of legal persons, and some merely exist in the form of “social public platforms” and “social development programs”. Nevertheless, all social composite subjects have their own definite social goals, functional orientations and operating modes. Social composite subjects have developed their own subjectivity beyond those existing social subjects. Apparently, such new subjects do not belong to any sequence of conventional social governance agencies, so they are more likely to establish new modes of governance in line with the needs of social co-governance.

Xiling Society of Seal Arts is one of the few cultural associations with international acclaim in China. However, under the dual pressure from the operation of market economy and structural reform of public institutions, this time-honored society for one time could hardly make both ends meet and seldom carried out any activity. Then, the composite subject of Xiling Society of Seal Arts found a road to steady development for the society. This composite subject is composed of three major types of subjects: (1) the executive committee of Xiling Society of Seal Arts, representing the Party and government circle. It is a public institution, and has the ownership of the brand of “Xiling Society of Seal Arts”; (2) the Xiling Society of Seal Arts as a NGO. Its major function is to contact members to conduct regular activities in the society; (3) the Xiling Society of Seal Arts Group Development Co., Ltd. as an operating entity. There are several branches under it, respectively in charge of auction, publication, exhibition, appraisal and other businesses. These three major organizations of the composite subject of Xiling Society of Seal Arts jointly use and maintain the brand of “Xiling Society of Seal Arts”, participate in major activities in the society, and share the development benefits of the society. Under such a three-in-one (the “public institution + NGO + enterprise”) pattern, each of them has its own division of function while all of them are closely associated. Later on, Xiling Society of Seal Arts not only successfully lifts itself out of the predicament of reorganization, but also makes full use of the double opportunities from market economy and structural reform. From 2005 onward, Xiling Society of Seal Arts has hosted the Xiling Society of Seal Arts International Arts Festival for many times, expanding its international influence; meanwhile, Xiling Society of Seal Arts Group Development Co., Ltd. was also named by the Ministry of Culture as the third batch of “National Cultural Industry Demonstrative Base” and was awarded the title of “National Advanced Unit for Cultural Structural Reform” jointly by the Propaganda Department of the Central Committee of the CPC, the Ministry of Culture, the State Administration of Radio Film and Television and General Administration of Press and Publication.

2.3 Linking Structure of Innovative Subjects

Due to restrictions in financial resources and human resources, there are after all limited opportunities available to set up a new social subject. Therefore, establishing a diversified win-win mechanism by reorganizing existing social subjects

and reforming the linking structure among them seems to be an efficient innovation path. Just as at the initial period of cultivating a market economic system, many small and medium-sized enterprises could gain a favorable external environment for development through industrial agglomeration, social governance subjects in Hangzhou also experienced a sound development trend through different forms of agglomeration.

(1) Forming resultant forces for development through horizontal linking

Governing subjects in similar service domains form various “federations” and “circles” through horizontal linking. This is conducive to the sharing of knowledge and information as well as development risks among the members and the strengthening of the persuasiveness of policies. Hangzhou Welfare Partner Circle serves as a typical example in which Hangzhou Youth Welfare Social Organization Service Center gets welfare organizations to complement each other’s strengths through horizontal linking. In 2012, the Quality Welfare Summit Meeting was held in Hangzhou. It was co-hosted by Hangzhou Youth Welfare Social Organization Service Center and Hangzhou Youth Research Institute and specially supported by the Integrated Office of Hangzhou Social Construction and Management Working Commission. Representatives from over 110 welfare organizations across the country attended the meeting and adopted the *Hangzhou Welfare Organization Quality Evaluation Criterion* at the meeting. On the basis of those welfare organizations present at this summit meeting, Hangzhou Youth Welfare Social Organization Service Center set up the “Hangzhou Welfare Partner Circle” by joining forces from all sectors in Hangzhou such as foundations, grass-root welfare organizations, benevolent enterprises, experts, and media. The core members of “Hangzhou Welfare Circle of Partners” are forty-two famous grass-root welfare organizations in the welfare sector in Hangzhou, among them include the Dishui Charity, the Ninth World, and Volunteer Branch of Hangzhou portal website. In response to such problems as “no guarantee for fund, lack of full-time personnel and inadequate government support” faced by grass-root welfare organizations in their development, Hangzhou Welfare Circle of Partners adopts a principle of “solidarity and cooperation, resource sharing, and collaboration and win-win”. This has effectively solved the problems and created favorable external conditions for the development of welfare organizations.

(2) Longitudinal linking saves transaction costs

Governance subjects on the same service chain but at different stages for value production form various “alliances” and “centers” through longitudinal association. This is conducive to reducing transaction costs among upstream and downstream agencies, strengthening overall capacity for risk resistance, and broadening the scope of resource acquisition and public services. Silk and women’s clothing are the name cards of local industries in Hangzhou, but it’s not that easy to always maintain a competitive edge in midst of fierce market competition. The establishment of Hangzhou Silk and Women’s Clothing Industry Alliance has enabled all links in close association with the industry to

be longitudinally joined in an organic way, thus guaranteeing across the board the leading position of Hangzhou in the silk and women's clothing industry. Hangzhou Silk and Women's Clothing Industry Alliance was founded in 2009 when Hangzhou's conventional competitive industries met with severe challenges under the impacts from a global financial crisis. In the Party and government sectors, the alliance is backed by Hangzhou Silk and Women's Clothing Industry Development Leading Group; in the intellectual sector, China Academy of Art, Zhejiang Sci-Tech University, Hangzhou Brand Promotion Association, China Silk Museum are dominant forces; in the business sector, Hangzhou Silk Industry Association, Hangzhou-Styled Women's Clothing Chamber of Commerce, Hangzhou Fashion Designer Association, and some leading enterprises are important bridges between the alliance and the business world. Besides, Hangzhou Daily Press Group, Hangzhou Culture Radio and Television Group are the basis of the alliance in the circle of media. Hangzhou Silk and Women's Clothing Industry Alliance has hosted such activities as "Chinese Top Fashion Designer Discovery Program", "Chinese International Women's Fashion Designers Contest" and "Silk Expo & Mode China". Through such activities, it joins up a series of links related to silk and women's clothing industry, such as identification and cultivation of designer talents, research and guidance of industry development trends, industry publicity and brand construction, market expansion, and market supervision. This has allowed the upstream and downstream sectors of the industry to develop in a coordinated way and thus gain greater competitive edge.

(3) Multi-tiered linking to raise innovation capability

Governing subjects from different fields form a reticular structure through multi-tiered linking. This is conducive to developing a relationship featuring resource complementation, synergistic cooperation, and collaborative motivation based on people's trust and improving the innovative and entrepreneurial capacity of governing subjects. Hangzhou City Brand Network Group is a reticular organization aimed to build and popularize the city brand of Hangzhou. Its core members include Hangzhou City Brand Work Guiding Commission Office, Hangzhou City Brand Promotion Association, Hangzhou Development Research Institute, Hangzhou Merchants Research Institute, Hangzhou Life Quality Research and Evaluation Center, and Hangzhou Entrepreneurship Research and Communication Center. The peripheral participants of the group include government departments, enterprises, media, education and research institute, NGOs, and self-governing organizations. The network group is not in utter disorder, but is of a matrix structure. It is composed of three kinds of elements: lines, planes and blocks. "Lines" refer to the decision-making body of the group, which comprise ten lines, such as the planning line, activity line, liaison line, and research line. Each line has its director and participants. Should anyone in the group has a new motion, he may have it deliberated internally through discussions in the planning line; if

endorsed by a majority of people, such motion may then be adopted by the group. “Planes” refer to the four core organizations of the group. As the group is not a corporate body, all formal contacts with the external must be accomplished through one of these four core organizations. Therefore, seen from the external, Hangzhou City Brand Network Group is essentially a union of four core organizations, which constitute the “planes” of the network group. “Blocks” refer to the functional entities of the group, which comprise the general affairs office, the planning department, the operation center, and the research department. All these departments in charge of the practical operation of the group are placed within a certain core organization. The group provides an opportunity for cross-domain communication and collision, thus sparks of innovation can easily be triggered from within; meanwhile, thanks to the structure of the group, people can easily set up temporary working groups and put new ideas into practice as soon as possible.

3 Operating Mechanism of Social Co-governance in Hangzhou

Social co-governance is not simply converging agencies, organizations and individuals from different fields, but enabling these governing subjects with different backgrounds to form a reasonable operating mechanism, entrusting the agglomeration of them with new missions, and allowing them to gain adequate resource input and deliver efficient governance performance.

3.1 Extracting Value and Concept, and Forming Common Vision and Mission

Values are the basis for governing subjects to judge what is better, and ideas are the precursor for governing subjects to take action. In a society of multi-element co-existence, to reach common goals and solve common problems, first and foremost, it is necessary to reach consensus on basic values and ideas. Under a framework of multi-element co-existence, no governing subject has the right to force other subjects to unconditionally conform to its own will and order. Voluntary participation, negotiation and coordination are the core principle for dealing with the relationship among the subjects. In such a circumstance, should conflicts occur on basic value judgment, it is very likely that agglomeration of multiple subjects will result in conflicts and mutual contention, rather than cooperation and co-governance. In the course of promoting social co-governance, Hangzhou, based on its local cultural tradition and development orientation, has extracted a host of values and ideas with local features and appeal of the times.

(1) Subject value

Subject value answers the question of “who am I” and is the basis for people to make value judgment in other aspects. Hangzhou raises the subject value of “We” and, with such value, expects to command and advance all reforms in social management. The value of “We” has its own philosophical connotations and reflects the distinctions between Oriental and Occidental countries in concepts of social governance. “We” refers to not only the “we” in a small group, but also the “we” in a big society. It can also transcend different social roles and positions to denote the “we” in the sense that “you are me and I am you”. In real life, it is very difficult for people with differing occupations, conflicting interests, and contradictory roles to develop a natural sense of mutual recognition. However, to solve social problems and settle social conflicts, these people of different backgrounds often need to communicate and negotiate with each other, and to understand the stances of each other. At this time, an ingenious practice is to set up some cross-department, cross-group organizations and adopt complicated means to coordinate interests of each party and realize the overall interests. Here, “we” itself represents a kind of participation and co-governance (Wang Ming 2011).

(2) Action value

“Action value” answers the question of “how to do” and is the guidance for people to choose a specific course of action. In social management innovation, Hangzhou has put forward such values and ideas as “joint action by four circles”, “boosting well-being through democracy” and “four ask-about and four rights”. “Joint action by four circles” means to establish a cooperation mechanism for “the circle of Party and government, the circle of intellectuals, the circle of businesses and the circle of media” to solve any complicated social problem. “The four circles” represent the dominant forces for social co-governance, but the involvement of these four circles is merely a minimum standard. In actual application, social subjects from more fields may have to be involved. “Boosting well-being through democracy” shows how to regard the relationship between democracy and people’s well-being in social management innovation. Nearly all social management innovations contain some elements of democracy, and social co-governance is no exception. However, democracy itself is not an end, but a means to promote people’s well-being. The approaches to democracy may vary, but whatever is chosen should contribute to the purpose of improving people’s well-being. “Four ask-about and four rights” represent the criterion for dealing with the relationship between managers and residents in social management. As far as any project related to people’s well-being is concerned, the managers have to ask about the opinions of the people and ensure they enjoy the right to be informed. It is up to the masses to decide “whether to execute a project or not”. This is to ask about the needs of the masses and ensure they enjoy the right to get involved; it is the masses that choose “which project to be executed”. This is “to seek advice from the masses” and ensure they enjoy the right to make a choice; it is the masses who

suggest “how to better execute a project”. This is to “solicit wisdom from the masses” and ensure they enjoy the right to supervise; finally, it is the masses who will judge “how well the project is executed”.

(3) City value

City value answers the question of “what goals to attain”. It is the value orienting the development trend of a city, and also the goal guiding social management innovation. “Exquisiteness and harmoniousness, ambitiousness and open-mindedness” and “a city of quality life” and “making our life better” are precise recapitulations of the city value of Hangzhou. “Exquisiteness and harmoniousness, ambitiousness and open-mindedness” is not only the development style of the city, but also its development mode. “Exquisiteness” implies a kind of material development road which is more intensified, environmental-friendly and intelligent; “harmoniousness” refers to a social management style which is more proactive and affectionate to the people; “ambitiousness and open-mindedness” means that we should embrace challenges with international horizons and open-minded attitudes while solving specific problems. “A city of quality life” is the development goal of the city. The aim of city development is precisely to improve the life quality of all residents in the city. “Making our life better” is a conglomerate of subject value, action value and city value. It has become the common value creed for Hangzhou in social management innovation.

3.2 Taking Initiatives to Cut Powers and Transfer Functions, Creating Space for Sharing and Interaction

Active public space is an important guarantee for the effectiveness and impartiality of social management policies. Under the current pattern of “a strong government and a weak society” in China, the government is the ultimate party responsible for division of social management fields. Only when the government makes a rational exit from relevant social management fields and takes the initiative in reforming the mode of management, can larger space be created for social co-governance.

Social management innovation is a process for the government to pursue a reasonable division of functions on its own accord. Under an ideal framework of social co-governance, the government, enterprises, NGOs and individual citizens each fulfill their own responsibility while coordinating with each other. Green Zhejiang is a civil environmental protection organization founded in 2000. It is one of the NGOs in Hangzhou which enjoys tax-exemption treatments. In 2010, it was officially registered as a NGO of welfare legal entity—Hangzhou Eco-culture Association. In December 2012, it became the first 5A-level non-governmental environmental protection organization in China. In May 2013, Hangzhou Eco-culture Association, together with Hangzhou Low Carbon Science & Technology Museum, China, launched and registered the Green Zhejiang. In carrying out environmental protection activities, Green Zhejiang has paid particular attention to cooperation among government departments, enterprises, communities,

and schools, and promoted social co-governance in the field of environmental protection in the capacity of a non-governmental organization. Taking the project of “Qiantang River Water Map” for example, the project is a visual and interactive mapping platform for collecting data about the water environment of Qiantang River. It operates on the basis of crowd-sourcing and spontaneous geographical information. The project is supported by the governmental environmental protection departments, with the secretary general of Green Zhejiang as the supervisor of the administrative and industrial ethics of Zhejiang Environmental Protection Bureau. For this project, a number of supervisors of the administrative and industrial ethics of Environmental Protection Departments are also appointed as data auditors, a batch of professional water-protection personnel with both theoretical knowledge and practical experience are cultivated. The citizens can report through open channels any water pollution accident in Qiantang River. In addition, Green Zhejiang also organized some environmental protection programs, such as “Finding the Swimmable River”, “Crossing Qiantang River” and “Co-Governing Our Water”. In all these programs, Green Zhejiang has carried out effective cooperation with government departments in an ingenious way while holding accountable and supervising local governments on environmental protection issues. For three consecutive years, it has been entrusted with projects by Qiantang River Administration of Zhejiang Province.

Social management innovation is also a process for the government to take the initiative in defining a scientific role for itself. In the management of social affairs, the government should in most cases play a role of a leader, guider and advocator. The report of the Third Plenary Session of the 18th National Congress of the CPC has expressly noted that public services and matters appropriate to be provided and addressed by NGOs should be transferred to NGOs. For highly heterogeneous social services, the government should change its service mode. Instead of directly delivering services, it should make them available in an indirect way. Only through such changes, can more space be created for social co-governance. In the case of old-age care services, social management innovation in different districts has embodied the role orientation of the government in social co-governance. Xihu District has built a huge old-age care service complex, which includes across the district 28 elderly-related departments, 5 social service agencies, 200-plus jurisdiction districts, and 12 old-age care agencies. It employs more than 2100 community (village) workers, over 2000 people for 95 town or sub-district offices, over 600 people for social service agencies, over 1000 people for 454 service outlets, and over 63,000 registered volunteers for old-age care service. In the old-age care complex, the government plays a leading role, and all old-age care service agencies in the district have unified symbols and are operating under a market-oriented mode. Xiacheng District extensively implements an old-age care mode of “combination of hospital and old-age care” by successively introducing such private old-age care agencies as Hangzhou Yanghe Hospital, Hangzhou Ciyang Hospital and Ciyang Elder Care Center. Under the new pattern of old-age care, old-age care services are funded with public finance, and provided by the general non-governmental sector, so there are multiple providers of old-age care services

and diversified modes of old-age care available. The government has played a leading role in such a mode of old-age care. Jianggan District is establishing a composite old-age care system which encourages retirees to help each other in old-age care. At present, the district has established an all-inclusive backbone self-managed group involving all 81,000 retirees. The self-managed group comprises 109 liaison men, 11 district-level supervisors, 1491 self-managed group leaders, and 3570 key staff. In such a mode of old-age care, the government is only playing the role of an advocator.

3.3 Eliminating Departmental Barrier and Exploring Universal Evaluation Mechanism

Social co-governance requires that human, capital, materials and other resources in a society flow freely among different organizations and departments so as to acquire the best effects for resource allocation. Only by eliminating departmental barriers and establishing a universal performance evaluation mechanism, can we provide favorable external conditions for social co-governance.

First, a common evaluation mechanism should be established among the governing subjects. Social management is a long-term task, and whether social management innovations can be sustained depends to a large extent upon whether the staff engaged in social management is adequately motivated. Hangzhou City Brand Network Group has explored a set of methods for conducting internal performance evaluation on staff from different fields in the social co-governance structure. This set of evaluation methods is based on the project scheme. Based on its importance and complexity, the meeting of the group core members will assign certain scores to each project, then, the head of each project will break down and assign the scores of the project to each participant in the project. Under this set of performance evaluation system, each staff in a social co-governance system can feel exactly when his effort is recognized by the organization and then will be rewarded with some material gains. This is conducive to the long-term and stable development of the social co-governance structure.

Next, rules for cross-departmental flow should be established. Social co-governance requires that human resources could reasonably flow among different departments, however, at present, due to the great differences among agencies of various categories such as government organs, public institutions, NGOs, and enterprises in personnel policy, social security, wage system and other aspects, cross-departmental personnel flow is extremely difficult. Employees in NGOs not only have a salary lower than that of the social average and limited access to promotion, but also find it rather difficult to flow to other departments. In addition, the government prohibits civil servants from taking part-time posts in enterprises and NGOs. Therefore, in real life, it is quite difficult for most civil servants to get involved into the microscopic aspect of social co-governance.

4 Incremental Innovation Driving Stock Innovation

A society is always in a process of dynamic development. Especially in an era of rapid changes, the resources and rights that each subject can get hold of will be increased or decreased for a particular thing, sometimes such changes may even be qualitative. Such variation in resources and rights is the resource increment of a subject. The reform most easy to implement is the one in which the resource stock of each subject remains unchanged while each subject can obtain positive resource increment. The approach to realizing social co-governance through such reform is called incremental co-governance. As incremental reform will encounter less resistance than stock reform, thus it is more likely to succeed in reality. China's economic structural reform from a planned economy to a market economy during 1980s was a typical case of incremental reform. That is, first develop private, foreign-invested and joint venture enterprises, then reform state-owned enterprises till the market economy is preliminarily mature, and allow them to become the dominant constituents of market economy. In form, incremental reform is a process of Pareto improvement, which can easily win support from multiple parties. In addition, incremental reformers will be inclined to explore new areas, and adopt new ideas and modes. Thus it can effectively get rid of the tendency of excessive reliance upon an established path in the conventional system.

In the initial period when the society is developing rapidly and social management system is taking shape, there is relatively large leeway for incremental reform. From the perspective of economic development, China has entered the stage of post-reform development. During this period, with a moderately-scaled market economy and a sound market system, there is hardly any leeway to carry out further incremental reform. However, from the perspective of social development, China is still in its initial period of reform and opening up, there are many issues untouched upon in conventional social management system. Therefore, there is still much space for us to implement incremental reform. The core path for incremental co-governance lies in trying to find increments in social management, implementing social co-governance in those parts of increments, and changing stock through accumulation of increment, so as to ultimately achieve the goal of social co-governance.

4.1 *Demonstration Effect*

Successful social management innovations can easily be imitated, transplanted and re-innovated. Co-governance practice in new fields of social management, if proved successful, can have strong demonstration effect for governing subjects in conventional fields of social management. The concept, organization mode and operating mechanism for social co-governance can be imitated and absorbed by governing subjects, thereby exerting influences on the existing pattern of social management stock.

Take city brand construction in Hangzhou for example. As intangible assets of a city, brands can not only increase the added economic value of local industrial chain, but improve the life quality of citizens. Based on the composite NGOs of City Brand Network Group, Hangzhou has successively established such organizations as Hangzhou Association for the Advancement of Food Culture, Cultural and Entertainment Brand Promotion Association, Growing Corporate Brand Alliance of Hangzhou, Hangzhou Association for Brand Promotion of Chinese Tea Capital, and Media Brand Promotion Association. These Promotion Associations generally operate in the mode of multi-circle joint action and innovation and entrepreneurship. They have achieved desirable economic and social benefits by integrating the industrial development, social activities and publicity strengths in the region. In 2014, Hangzhou Municipal Administration of Non-Governmental Organizations initiated an evaluation activity of NGO brands. Based on the existing grade evaluation for NGOs (industry evaluation criterion), a broader brand evaluation criterion covering public evaluation, expert evaluation, and media evaluation was worked out, with the aim of helping NGOs in Hangzhou to improve their own capacity and social reputation.

4.2 *Furnace Effect*

Social management is interrelated, so it is impossible for incremental innovation to completely steer clear of the conventional management system. By including the governmental authorities, trade associations, public institutions and enterprises in the existing social management system, social co-governance requires forming a governance structure based on equal consultation and efficient interaction. Through the operation of social co-governance, governing subjects in conventional management system may accept the thinking of multi-subject co-governance, thus becoming active forces in the co-governance structure. Such a phenomenon can be called the furnace effect.

Take “Conversation with Us Round Table” as an example. “Conversation with Us Round Table” is a conversational program hosted by Hangzhou TV station, with topics centering on hot issues related to the society and people’s livelihood. This program was organized by the General Office of the CPC Hangzhou Municipal Committee, the General Office of Hangzhou Municipal Government, the Publicity Department of the CPC Hangzhou Municipal Committee, Hangzhou Municipal Development and Research Center and Hangzhou Culture, Radio and Television Group, and run by General Channel of Hangzhou TV Station. It has reflected the “three-pronged” co-governance thinking of the Party and government, citizens and the media. Normally, the host, along with 4–6 guests including Party and government officials, experts and scholars and ordinary citizens, would sit around a table, engaging in conversations and discussions over hot issues concerned by citizens, such as prices of commodities, environmental protection, transport, and urban planning. This program has embodied the co-governance concept of “joint

action by four circles” by covering the circles of Party and government, universities, businesses and media. Each time, the head of Party and government departments closely related to the issue in focus will be invited to the program. Through dialogues and discussions, “Conversation with Us Round Table” not only helps enhance mutual understanding and trust between citizens and management departments, but also gives staff of functional departments an opportunity to experience in person the demands and pressure of the citizens, so that they can show more respect for the needs of multiple subjects.

4.3 Reverse-Pressurizing Effect

Successful practice of social co-governance in a certain field will create reverse-pressurizing effect on conventional social governance subjects, so that they are compelled to change their working style and service attitudes. The creation of such reverse-pressurizing effect is dependent upon transplantable co-governance experience and self-initiated reform of conventional social governance subjects.

Take the project of “Five Water Co-governance” launched in late 2013 as an example. “Five Water Co-governance” is a decision made at the Fourth Plenary Session of the 13th Zhejiang Provincial Party Committee, which specifically refers to “sewage treatment, flood prevention, waterlog draining, water supply guarantee and water conservation”. “Five Water Co-governance” is a water treatment project which involves not only performance of functions by government departments, enterprises and public institutions, but also participation of the public. The fact that the government takes a leading role and the masses are the dominant forces in five water co-governance serves an apt example for applying the concept of multi-subject co-governance to water environment governance. The elevation of water treatment to the height of decisions of provincial Party committee is closely associated with innovations of multi-subject co-governance in environmental protection over the recent years. The immediate reason for Zhejiang Province to come up with the decision of “Five Water Co-governance” is that the heads of Environmental Protection Bureaus at the localities were “invited” to take a swim in the river in Zhejiang for many times in early 2013. Among them was the activity of “Swimming across the Mother River of Qiantang” jointly organized by Green Zhejiang and Zhejiang Satellite TV Station. Actually, as early as in 2010, Green Zhejiang has launched “The Same Qiantang River”, a publicity and educational campaign on water protection and treatment, and also a series of activities “Looking for a Swimmable River” since April, 2013, Green Zhejiang also worked with Zhejiang Provincial People’s Congress and Zhejiang Satellite TV Station to present “Face to Face Water Governance”, a TV Program on Government Administration, in which face-to-face sharp questions were thrown at leaders of five prefecture-level cities in Zhejiang on issues of water governance.

5 Successful Factors for Incremental Co-governance

In 1990s, Hangzhou explored to use such social co-governance principles as “joint action by four circles” to address the then tricky problems and achieved desirable effects in comprehensively treating West Lake and reorganizing Xiling Society of Seal Arts. Reform at this stage can be said as an unconscious choice of administrators under the influence of particular cultural traditions and social practices. In 2003, Hangzhou formally put forward the concept of social entrepreneurship, and encouraged government departments to maintain close contracts with other social subjects, in a bid to solve difficult problems in social management with innovative thinking. In this process, there emerged a number of cases for social co-governance, such as Hangzhou West Lake International Expo, Hangzhou Animation Festival, and the Silk and Women’s Clothing Industry Alliance. Reform at this stage was mainly boosted by government departments. In 2008, Hangzhou referred to these social co-governance institutions as social complex subjects. From 2008 onward, the concept of social co-governance was expanded to conventional fields of economic management and social management. Some successful cases of social co-governance were seen in stabilizing prices of agricultural products, promoting employment of college graduates, and cultivating community-level NGOs. From 2013 onward, non-governmental organizations have undergone rapid development. Realizing that social co-governance is an important working idea, many non-governmental organizations began to introduce the concept and method of social co-governance into their own organizational structure and activity, so as to enable them to become dominant forces in social co-governance.

After more than twenty years’ development, social co-governance forces have been expanded to many aspects of urban governance in Hangzhou and have had direct influences on the local economic development and social management reform. Unlike the approaches to realizing social co-governance used in other regions, Hangzhou has taken a typical approach of incremental reform. Such approach involves opening up new governance fields on the fringe of conventional social management system, establishing new type of social governance subjects, and creating a new structure among the subjects. Viewed from the historical process of social transformation in Hangzhou, the approach of incremental co-governance also undergoes a transition from being unconscious choice to conscious promotion and from unilateral dominance by the government to widespread acceptance by the society. The approach of incremental co-governance in Hangzhou can succeed mainly due to the following three factors.

First, Hangzhou has a developed market economy, where the market plays a decisive role in the allocation of resources. Most enterprises in Hangzhou are small and medium-sized ones run by the locals, while foreign-funded and large state-owned enterprises only occupy a small proportion, and the residents have strong awareness of market economy. Incremental co-governance has some similarity with the approach adopted by Hangzhou while transforming itself into a market economy. In 1980s, in the transition from a planned economy to a market

economy, Hangzhou, and even the whole Zhejiang Province, had taken the following typical path: first allow those private and collective enterprises outside the planned economic system to develop freely, then, gain comparative advantage through industrial accumulation, and finally compel state-owned to conform to the fully-fledged market economic system. The only difference is that economic structural reform does not need too much “promotion” and “dominance” by the government, while social management structural reform cannot be achieved without the promotion efforts of the government during its initial period.

Second, Hangzhou has active non-governmental forces and highly-developed social capital. Compared with other economically-developed regions, citizens in Hangzhou have more leisure time, and are inclined to spend more of their leisure time in social contact, collective activities and cultural and sporting activities. Hangzhou locals are willing to take part in public activities of no immediate interests to themselves. Highly developed social capital means that social departments have more frequent and closer ties with each other. For entrepreneurs in the economic and policy-related fields, they can implement their own economic and policy-related innovations through an open and relatively loose interpersonal network.

Third, in its regional culture, Hangzhou maintains a harmonious relationship between governmental and non-governmental sectors, and many cultural hints for cooperation and interaction. It is not the abstract concepts of government and citizens but decision-makers of each specific agency, department and organization who are to answer such questions as what kind of social management innovation to be promoted and how to promote such social management innovations. After all, their decisions will be influenced by regional cultures. Therefore, the officials should strive for the well-being of the masses, and those capable ones in the masses should cooperate with the government, in a joint effort to raise people’s living standards. This has almost become a thinking set in many historical legends about Hangzhou.

6 Conclusions and Discussions

As China’s market economy becomes ever mature, social interests and cultural values are more and more diversified. The society are faced with more complicated and dynamic public issues, meanwhile, the residents generally have an ever-stronger capacity and needs for participating in social affairs and social governance. In this context, social co-governance has become a necessary choice for reform of governance mode. When it comes to improvement of social governance mode, *Decisions by the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening Reform* have pointed out that we should “adhere to systematic governance, strengthen leadership of the Party committee, give play to the leading role of the government, and encourage and support all sectors of the society to get involved, so as to start a virtuous cycle

of interaction between government governance, society self-adjustment and residents' self-governance". The concept of and practice in social co-governance have annotated the requirement by these decisions for improvement of social governance mode.

It takes both wisdom and courage for innovation to transform from the conventional social management system to the social co-governance system. Social co-governance in Hangzhou has taken a path of incremental reform. By cultivating and developing new type of social governance subjects (adding subjects), exploiting new governance fields on the fringe of conventional social management fields (adding fields) and converging existing social governance subjects into new governance structures (adding structures), social management innovations in Hangzhou have built a "new area" for social governance beyond the conventional social management system. Social co-governance not only involves integrating multiple subjects of relevant interests into the governance framework, more importantly, it needs to establish an effective interactive mechanism among different subjects. Social co-governance in Hangzhou first emphasizes that social governance subjects should develop common values and ideas (common values); then more co-governance space can be created when government departments cut powers and transfer functions on their own initiatives (common space); meanwhile, a preliminary universal cross-domain evaluation mechanism can be established by endeavoring to break departmental barrier (common evaluation). Social co-governance is in pursuit of harmonious, fair and righteous governance results. These co-governance mechanisms can ensure that newly-cultivated social governance subjects will not merely mind their own business, newly-exploited governance domains will not become empty space for governance and that new-built governance structure can operate smoothly.

The mode of incremental co-governance can "quietly" achieve success in social management innovations in Hangzhou is greatly related to the mature local market economy, developed social capital and the thinking set of harmony between the governmental and non-governmental sectors in its traditional culture. However, these three factors are not unique for Hangzhou. With comprehensive reform in China advancing further, the market will be set to play a decisive role in resource allocation; intensification of social interaction and development of NGOs will necessarily increase the social capital of the whole society, and "achieving harmony between the governmental and non-governmental sectors through cooperation and interaction" will be an important heritage in China's governance culture. Furthermore, compared with stock reform, incremental reform will encounter less resistance, is more easily to be sustained in reality and can create longer-term social effects. Therefore, incremental co-governance is not only suitable for Hangzhou, but also for many regions with a developed economy, active society and high degree of trust on the government by the public.

The precondition for social co-governance is that all relevant parties of interests are participating on a voluntary basis. It is undesirable to either force other departments and organizations with administrative orders or resort to campaign-styled reform measures. Therefore, one limitation for incremental

co-governance is that it will take a long time to achieve the results for co-governance. But for a government valuing the effectiveness and sustainability of reform, slow but substantial reform may hold more significance. Incremental co-governance avoids directly reforming conventional social management departments. However, the success of incremental reform still depends upon to how much extent conventional social management departments have been transformed to the social co-governance system. Seen from the practices in Hangzhou, incremental reform in the edge zones has obvious demonstration role, furnace effect and reverse-pressurizing mechanism for conventional social management departments. Transition to social co-governance has also begun in such fields as economic management, environmental governance, and NGO management. The biggest difficulty involved in the approach of incremental co-governance is that, due to the incompatibility and friction between the old and new social management systems, employees in new social governance subjects cannot reasonably flow among different departments and organizations, and the agglomerated subjects with a new governance structure cannot gain sustainable capital source and social support. Therefore, governmental authorities should, from the height of reform of social governance modes, recognize the independent status of comprehensive NGOs, and formulate corresponding evaluation and management standards, so as to facilitate reasonable flow of personnel among the government, enterprises, public institutions, NGOs and new social governance subjects.

Chapter 5

Transfer of Governing Power: Wenzhou Experience in Approach to Realizing Multi-subject Co-governance

Ming Wang

Geographically located on the southeastern coast, Wenzhou has long been known for its landscape of “seventy percent of hills and twenty percent of waters plus ten percent of arable land”. With a large population but little arable land (less than half *mu* (333.33 m²) per person, it inherently has a shortage of resources. Other disadvantages include its geological position as a coast defense front, limited financial investment from the country, and a weak industrial basis. To find a way out for a better living, enterprising Wenzhou locals dare to break through all those outdated concepts, ideas and institutions that are hindering the development of productive forces. They are the first to initiate market-oriented reform, the first to develop household industry, individually-owned and private economy and specialized markets, the first to develop joint-stock cooperative economy, the first to explore various forms of and approaches to realizing public ownership, the first to enact local regulations on private businesses,¹ the first to build joint-stock railway, the first to introduce a local recruitment mechanism for professional social workers, and the first to institute a unified system for old-age care guarantee and professional title accreditation for privately-funded and publicly-funded hospitals and schools alike and to allow free flow of talents between public and private sectors, and so on so forth. “Being the first” times and again has highlighted the spirit of Wenzhou people to courageously make changes and innovations in spite of difficulties and risks. Such spirit has been mingled with the innate values and concepts of Wenzhou people, that is, “one must apply what one knows and at the same time be ready to

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¹Xi Congqing. *On Several Essential Problems for Development of Wenzhou [J]*. Social Science Research, 2003(1), pp. 99–102.

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make changes, allowing for some leeway”. It has, so to speak, flowed through the bodies, and permeated into the marrows of generations upon generations of Wenzhou people as much as their blood does, perceptible in various aspects of economic and social development in Wenzhou.

It is the same case with reform in social fields. The 18th National Congress of the CPC has started the journey of implementing new social policies. Under the top-level institutional design of constructing a modern NGO system, local governments started or continued to advance reforms, reform modes of governance and adjust the governance structure according to their own conditions, and Wenzhou is no exception. While for many local governments, such reform still lingers on the level of administrative technologies. Reform in Wenzhou, as a “National (NGO) Construction Innovation Demonstrative Zone” and “Civil Affairs Comprehensive Reform Pilot Zone”, has been elevated to a new stage, that is, targeted at building an “invisible government and visible society”, focused on rebuilding the relationship between the government and the society through setting out the list for powers and characterized by encouragement of co-governance by multiple subjects including the government, the market and the society. In this connection, we will discuss the practical innovations in the reform, sum up the practical experience and explore the driving force for reform based on to the analysis of the reform in social fields in Wenzhou over the recent years, with an aim to provide some reference for the local reform of China on multi-subject co-governance.

1 Origin of Theories on Co-governance and Difference Between China and Western Countries

The emergence of the theory on governance is derived from defects of conventional public administration and management crisis in Western welfare countries. Put forward by Kooiman, the paradigm of co-governance represents the latest development in theories on governance. Kooiman believes co-governance means cooperation between different groups on an equal footing, which includes various forms of alliance, networked-based mode and public-private partnerships.² In his book *Modern Governance*, Kooiman points out that it is the interactions between public and private behavioral subjects and between administrative departments and enterprises that lead to the emergence of an epochal pattern of “social political governance”. Different behavioral subjects are featured with “joint formulation” and “partnership”.³ According to Rhodes, governance, from the perspective of public administration and public policy, can be understood as a process in which subjects (including private departments and voluntary departments) beyond the boundary of public administration which have the needs for exchanging resources and reaching

²Kooiman, Jan. *Governing as Governance* [M]. London: Sage, 2003.

³Jean-Pierre Gaudin, *Pourquoi La Gouvernance* [J]. Translated by Zhong Zhenyu: Social Sciences Academic Press, 2010, pp. 21–22.

consensus, and have interactions with each other through negotiations based on the rules of trust and game-playing. Governing subjects can be self-organized networks which govern themselves in the form of network and which are obscure in division of responsibilities.⁴ Stoker also presents similar point of views.⁵ Box stresses citizen participation in his book *Citizen Governance*, insisting that citizens' representatives may be granted more powers, so that they can undertake the responsibility of managing public affairs and become "citizen governors". In the mode of citizen governance, public administrators are turned into counselors to rather than controllers of citizen management. Their roles have been shifted to promoters, coordinators, professional counselors and helpers of citizens participating in management. It is actually a kind of "assignment" of certain powers.⁶

In general, western scholars have understood co-governance as a process in which multiple subjects including the government, private departments and voluntary departments reach consensus through competition, negotiation, interaction and cooperation, thereby taking joint actions for public affairs. The core of co-governance lies in the exercise and allocation of public powers and resources. Needless to say, a common basis underlies these western concepts of governance, that is, a mature civil society, a well-established democratic system, a sound legal system and a fully-functioning market system; these multiple subjects involved in governance are not only in partnerships, but also have the spirit of democracy, negotiation and cooperation.⁷

Comparatively speaking, China does not possess these conditions and premises for western-styled governance. The implementation of reform and opening up and development of market economy have broken China's original pattern in which the state takes overall charge of all political, economic and social affairs. As the market economy gets more and more mature, a relatively independent market system presents itself beyond the state system. With social transformation in full swing, China's NGOs have increasingly become a civil society organizational system which is relatively independent from the state system and the market system, meanwhile, they are mutually dependent upon, penetrated into, and co-develops with each other.⁸ However, due to perennial restrictions from the mindset of Official Standard and institutional obstacles such as administrative approvals and dual management of NGOs, governmental powers are infinitely extended. As a result, the boundary between government administration and enterprise operation, between government administration and NGO management becomes blurred, rights and

⁴Rhodes, R. A. W. (2007). Understanding Governance: Ten years on [J]. *Organization Studies*, 2008 (8), pp. 1243–1264.

⁵Gerry Stoker. Public Value Management: A New Narrative for Networked Governance? [J]. *The American Review of Public Administration*. 2006(36): pp. 41–57.

⁶[U.S.] Richard C. Box. *Citizen Governance: Leading American Communities into the 21st Century* [J]. Translated by Sun Baiying, China Renmin University Press, 2013, p. 3.

⁷Zang Zhijun. "Governance": Utopia or Reality? [J]. *Theoretical Essence*, 2003(4), p. 10.

⁸Wang Ming. *Chinese Civil Organizations for Thirty Years—Moving Towards a Civil Society* [M]. Social Sciences Academic Press, 2008, p. 2.

responsibilities are not well-defined, rule of man supersedes rule of law, and state intervention goes on endlessly. In such a background, China's market economy system is so immature that it is difficult for the market to capitalize on its strength in allocating resources; NGOs grow at a slow pace with inadequate capabilities, only generally playing a supplementary role of "remedying defects"⁹ at the most. Nevertheless, this does not mean that China has had no practice in co-governance. On the contrary, China's economic transformation has brought about and will continue to bring about profound changes to governmental governance. For instance, as the highly-centralized omnipotent doctrines are on the decline, the Chinese-styled democratic governance mode has become the mainstream. Multi-subject co-governance comes at a time when economic structural transformation, industrial structural adjustment, social pattern change and governance structural reform concur. Thus, it is in line with the needs for political, economic and social development, and mutually conducive to the progress in government reform and functional transformation.

As multi-subject co-governance in China is generated from a different basis and in a process obviously different from those of western countries, we cannot simply transplant the western mode, but should seek out a co-governance path applicable to China. After the 18th National Congress of the CPC, a wave of practical explorations for multi-subject co-governance surged across the country. Because of the major differences in institutional environments in different places, their approaches to realizing co-governance also differ from each other. Particularly, co-governance practice in Wenzhou started early and has developed some salutary mechanisms in their explorations. Its biggest feature is to give the same weight to government reform and cultivation of social forces, cultivating social forces in the course of reform while boosting reform in the course of cultivating social forces.

2 The Origin of and Practical Innovation for Multi-subject Co-governance in Wenzhou

2.1 Origin of Multi-subject Co-governance

The practice of multi-subject co-governance in Wenzhou can be traced to explorations for reconstructing a new mode for community-level governance. Owing to the needs for economic development, the huge number of unevenly distributed villages, and unlimited powers of the village committees and community committees, Wenzhou initiated a large-scale adjustment of administrative divisions, in which 5400 administrative villages were gradually merged into communities. The aim of the reform is to strip the communities of its administrative functions and

⁹Kang Xiaoguang, Han Heng. Category-Based Control: Studies on Relation between State and Society in Current Mainland China [J]. Sociological Studies, 2005(6), pp. 73–89.

service functions, streamline the relationship between communities and villages, and define boundaries of powers and responsibilities, so as to hand over to NGOs' responsibility for social service affairs. Cultivating NGOs has inevitably created the needs for participation in governance, which not only brings opportunities for development of NGOs, but also lays a foundation for multi-subject co-governance.

2.2 Practical Innovation for Multi-subject Co-governance

Over the recent years, Wenzhou has made sweeping social reforms, which are centered on government powers and focused on streamlining the relationship between the government and the society by sorting out powers. These reforms specifically involve the following four aspects, namely **“cutting powers, delegating powers, returning powers and defining powers”**: first, “cutting powers”: by tracing the origin of powers, sort out across the board functions and powers for civil administration, and cancel the following government functions and powers: those for which there are no basis in laws, regulations and rules, those for which there are basis in laws, regulations and rules but go against the trend of comprehensively deepening reforms, all kinds of matters other than administrative licensing category that need approval and are targeted at citizens, legal persons or other organizations, items of functions and powers that the State Council and provincial government have expressly canceled, as well as management functions and powers over NGOs on overtly microscopic issues. Second, “delegating powers”: by linking government reform and functional transformation to cultivation and invigoration of NGOs. On one hand, specify criterion for delegating powers. Delegate to local management departments all those affairs concerning social-economic management which are directly targeted at the community-level and which, in view of its huge quantity and broad scope, are more convenient and efficient to be managed by appropriate local departments; one the other hand, specify the scope for transfer of functions and powers. Transfer those matters which can be transferred to NGOs and public institutions through purchasing; for NGOs that temporarily do not have the capacity to take over the responsibilities, a cultivation period for one to three years may be set before transferring. Third, “returning powers”: deepen the construction of a new type of urban and rural communities, rebuild a community-level self-governing system, return to the society those functions and powers which do not belong to the government, and guide the society in realizing self-governance. Fourth, “defining powers”: make available to the public the list of government powers on official website, official microblog and the website of Wenzhou Administrative Approval Service Center, make available to the public the authorization basis, designation number, handling procedures, responsible unit, supervision telephone and other static information in the list of powers with respect to each item of power; by taking advantage of the Internet technology, build an open operating platform for administrative power which integrates such functions as administrative regulation, public opinion collection and performance supervision.

Reforms in Wenzhou surrounding government powers and government-society relationship have epitomized the fact that government powers are contracting while social powers are expanding. After a great deal of powers are cut or delegated, the government will shift more of its focus from prior-approval to post-and in-process-supervision, and implements rules which feature “loose entry but rigorous supervision”. Reform has spurred the government to release more and more public space and open part of public spheres to let the society have an equal access to participation and realize multi-subject co-governance. However, how to roll out this set of power-centered reforms? To this end, we have made a systematic analysis of social reform and practices in Wenzhou and attempted to generalize the practices in Wenzhou as a progressive but continuous mode of “Three Popularizes and Three Transfers” (popularizing models to transfer projects, popularizing modes to transfer space, and popularizing regulations to transfer functions and powers).

“**Popularizing models to transfer projects**” means that during the initial period of exploring co-governance by multiple subjects, the government maintains its dominant position in social co-governance, explores the mode in which social forces, NGOs in particular, participate in social governance through pilot projects and popularize those well-implemented social co-governance projects as models across the city. “Popularizing models to transfer projects” underscores the spirit of the government to dare to “trial errors”. The government assigns various projects in different forms to make active explorations for practices and experience suitable to a certain project. There are many ways in which the government can assign projects, such as service purchasing, support in incubation, and cultivation and development. It is worthwhile to mention that, while the government transfers more projects, social forces, NGOs in particular, will continue to improve their governance structures and enhance their capacities.

“**Popularizing modes to transfer space**” can be said as the intermediate stage for multi-subject co-governance. As the market gets mature, and NGOs become increasingly strong and capable, the government will no longer simply be content with popularizing typical models in the form of sporadic projects. Hence the stage of “popularizing modes to transfer space” comes into being. “Popularizing modes to transfer space” involves less direct intervention into social governance by the government and more incentives for social innovation and calls for co-governance by multi-subjects. This stage itself includes two aspects: on one hand, hand over to social forces those matters which fall into the scope of the government functions through such mechanism as purchasing of services. In such case, the government is still the principle party for accountability for public services or public affairs, and it only needs to release part of public space to social forces to involve them in social governance, and popularize as a mode such typical practices in multi-subject co-governance; on the other hand, the government frees up space for matters which do not fall into its scope of function, returns powers to and guides the society in independent governance; meanwhile, the government will also popularize as a mode such typical practices in social self-governance.

“**Popularizing regulations to transfer functions and powers**” is the most important stage in the strategy of “Three Popularizes and Three Transfers”. This is

because, when the market plays a prominent role in allocating resources, and social forces become more mature and are capable of operating independently, in the absence of regulations, the practice of the government transferring projects and space may lead to irregularities in use of public resources by the government or social forces, and is also prone to breed rent-seeking behaviors. As emphasized by Parsons, the core of the society as a holistic system lies in regulative orders, whereby people are able to organize their collective lives.¹⁰ Therefore, regulations and values can effectively integrate elites and institutions in political, economic and social fields. In brief, in transferring government functions, it is necessary to simultaneously delegate public powers, transfer public resources, and regulate the exercise of powers and allocation of resources. Formulating regulations is an important approach to mitigating and preventing risks.

By analyzing the practices of “Three Popularizes and Three Transfers” in Wenzhou, we observe that such practices essentially represent a process in which the government takes the initiative in delegating powers and transferring space so as to encourage social forces to participate in social governance. Such a process involves not only collaborative governance between the government and the society, but also active efforts by the government to cultivate social forces and guide and help them to participate in governance. In view of this, we might as well boil this kind of co-governance practice which features “Popularization” and “Transfer” down to “transfer of governing powers”. The aim is to explore the approach to realizing multi-subject co-governance in Wenzhou and its characteristics as well as the motives behind it through an analysis of “transfer of governing powers”.

3 “Transfer of Governing Powers”: Approach to Realizing Multi-subject Co-governance

3.1 Implication of “Transfer of Governing Powers”

1. Essential meaning of “transfer of governing powers”¹¹

“Transfer of governing powers” means that the government elevates social forces to the position of multi-subject co-governance, allowing them to become the dominant

¹⁰Joel S. Migdal. *State in Society* [M]. Jiangsu People’s Publishing House, 2013, p. 5.

¹¹The concept of “Tui Wei Rang Zhi” (transfer of governing powers), which stems from the concept of “Tui Wei Rang Guo” (transfer of state powers), contains the implication of releasing powers and space, but the two have essential distinctions. In “Tui Wei Rang Guo” (transfer of state powers), “Tui” has the meaning of “politely declining”, giving over one’s own belongings to others; so “Tui Wei” is to give over one’s position to a person of virtue, “Rang” is to abdicate, or give over the right to rule to the capable. Collectively, “Tui Wei Rang Guo” (transfer of state powers) means handing over the position and powers at the same time without any reservation.

party in social governance, and giving rein to the function and role of social forces, NGOs in particular, in a bid to build a “visible society” with a strong sense of subjectivity, responsibility and innovation; in the meanwhile, the government does not make an exit, but gradually weakens its power to directly intervene in public affairs. In its place, it will establish some platforms, modes and mechanisms to create conditions for multi-subject co-governance, and reinforce its supervisory powers and functions, thus becoming an “invisible government”. Furthermore, “transfer of state powers” is a transfer of political powers, while “transfer of governing powers” is an adjustment of “governing powers”,¹² i.e. reforms centered upon the structural relations between public governing powers, and aimed at fostering a pattern of co-governance by multiple subjects including the government, the market and the society.

2. The “transfer of governance to society”: a dynamic process of interaction and balancing between the government and the society

The “transfer of governance to society” is a dynamic process of interaction and balancing between the government and the society. Such interaction is neither a zero-sum game or non-cooperative game nor a simple cooperative game between the government and the society. Under the theory of cooperative game, the overall benefits of the cooperative alliance outweigh the sum of those generated when each of its members operates alone, and the cooperative game will have to follow the distribution rules of Pareto optimality. However, at the beginning of “transfer of governance to society”, the input of the government (including input for the cultivation of NGOs) may be more than the cost incurred by the government in operating alone or rendering public services independently; nonetheless, the benefits will not necessarily increase with a rise in costs. In other words, the initial benefits from “transfer of governance to society” may be lower than the benefits from an independently-operating government, but with the advance of “transfer of governance to society”, social forces will gradually become the principal part for social governance and the government will operate at a reduced costs and with significant efficiency as the government keeps ceding leeway, nurturing the social forces through different programs and promoting various modes of multi-pronged governance. Therefore, such relationship of shared governance between the government and the society is a dynamic process of interaction of powers. Our understanding of “transfer of governance to society” is a reactive and balancing process featuring an advance or retreat of one another between the society with public powers and the society with social powers within a dynamically open system.

¹²Xiao Bin, Guo Ming, *Innovating Mode for Local Governance through “Reform of Governing Powers”*—Theoretical Analysis of Comprehensive Reform in Shunde Since 2009. *Public Administration Review*, 2013 (4), pp. 2–26.

3.2 Mechanism for “Transfer of Governing Powers”

“Transfer of governing powers” in Wenzhou is realized by the way of “Three Popularizes and Three Transfers”, and there are in between some operational mechanisms, such as the mechanism of service purchasing, incubation, negotiation and dialogue, game-playing, cooperation, motivation, competition, separation, and interest orientation. These mechanisms are intricately integrated in the practical explorations of “Three Popularizes and Three Transfers”. In this paper, we will introduce several core mechanisms.

1. The mechanism of service purchasing

Service purchasing by the government is an important mechanism for enabling social forces to join in the provision of public services and building a pattern for co-governance by multiple subjects. In service purchasing, the general cost for the government to provide public services can be reduced owing to professional social forces and low operating costs; on the other hand, with abroad public basis, social forces, NGOs in particular, can deliver public services that better cater to the specific requirements of the public and show higher efficiency in utilization of capital. Meanwhile, in service purchasing, social forces will constantly improve its own governing structure and enhance its own capabilities; project-based service purchasing has created conditions for the government to dare to “trial errors” in different fields and explore salutary practices in multi-subject co-governance. Successful pilot projects can be popularized as models, while failed pilot projects will not influence the overall planning of the government. For instance, Judicial Bureaus in Ouhai District purchases six kinds of judicial services from community-level NGOs, including emplacement and education, rectified personnel education and help, people’s mediation, legal counseling, legal aid and legal popularization. These kinds of services purchased were first trialed in Jingshui Community, Jingshan Subdistrict. Currently, this project has been rolled out in all 75 communities across the district. For another instance, some town (township) governments in Cangnan County have signed agreements with One-Plus-One Community Service Center to implement the project of “Five-Water Co-governance”. By purchasing services, it aims to involve welfare-oriented professional NGOs into water governance and to allow the government to play the roles of supervision and evaluation, so as to explore a co-governance mode involving the whole society through joint actions by NGOs, non-governmental enterprises and communities. Such practices are conducive both to saving costs and to improving efficiency. The concept of five-water governance has thus been made a reality by coordinating, integrating and replenishing public resources. There are many other projects in Wenzhou, which are similar to “Five-Water Co-governance”. For example, with the efforts of Rui’an Party commission, the Environmental Protection Association of Tangxia Town in Rui’an was established, which would participate in “Five-Water Co-Governance” with self-pooled funds. At present, Wenzhou has started to purchase services from NGOs in over ten areas

such as private-funded education, private-funded hospital, wildlife rescue, non-governmental emergency rescue, and five-water co-governance.

2. Incubation mechanism

Incubation mechanism is a key mechanism in “transfer of governing powers”, which not only includes the process of cultivation and incubation but also implies active promotion by the government. Due to the existing imperfect civil society organizational system in China, such as outdated management regime, rigid ideology, inadequate professional capability, squeezing effects by market mechanism and lack of social supervision, NGOs do not yet possess the capability to independently provide public services and equally participate in governance of public affair. To realize multi-subject co-governance, the government must cultivate and incubate NGOs and promote the healthy development of them through various supportive policies and institutions such as service purchasing, venture philanthropy and tax preference so as to help them become important subjects for multi-subject co-governance. Incubation mechanism can be embodied at both the stages of popularizing models to transfer projects and popularizing modes to transfer space. For example, the government of Wenzhou, with the principle of “government support, social participation, professional operation and project cooperation”, builds a service platform system for NGOs in the whole city, and provides support to NGOs in terms of capital, site, project and technology; As of this April, Wenzhou has set up 986 service platforms for NGOs at all levels, covering all four tiers of municipality, county, towns and communities. Yueqing and Rui’an publish notices for benevolent enterprises and personnel to claim welfare projects to the society via NGO service platforms, which has effectively matched welfare funding by the government, enterprises and other market subjects and individuals with welfare services by NGOs. Yueqing Bureau of Quality Inspection and Bureau of Civil Affairs made active efforts to promote the establishment of Yueqing Industrial Association Incubation Base and Welfare Incubation Park. Rui’an Bureau of Civil Affairs also contributed to the establishment of Rui’an Welfare Service Center Social Organization Incubation Center, which has cultivated many co-governance subjects. For another instance, Wenzhou has used public finance to guide the establishment of foundations for NGO development in such multiple fund-raising ways as lottery welfare funding, and social donations. Such foundations, which cover both the municipality and county levels, have provided financial guarantee for expediting the incubation of NGOs.

3. Cooperative mechanism

Cooperative mechanism is the core mechanism in multi-subject co-governance. The objective of co-governance is for multiple subjects to reach consensus and take cooperative strategy and joint actions through dialogue, competition and negotiations. Cooperation is the premise of and basis for joint actions by multiple subjects. With the introduction of such concepts as democratic politics, separation of powers, citizen participation, social capital and culture, it has become outdated for the state

and the society to differ with each other or even engage in competing zero-sum games. On the contrary, more and more citizens get intervened in public life, thus a virtuous interactive relationship is developed between the state and the society.¹³ Collaborative governance has become a general trend. Government-society cooperation can take many different forms, which are present throughout the practical explorations of “Three Popularizes and Three Transfers” in Wenzhou. For example, the “Posthouse of Love” in Wenzhou established on the basis of community platforms is an example of the mode of collaborative governance. Initiated by the government, such cooperative efforts aims to build a platform for goods reception, government-enterprise-led mutual help and employment support by attracting more social relief and aid funds with construction funds invested by the government and introducing such measures as enterprise title sponsorship, NGO operation and community leadership. With a pool of forces from the government, enterprises, social workers and volunteers and parties, this platform will make up the deficiency of inadequate grass-root personnel in government-led relief efforts, since it has helped create a new mode of collaborative governance for community-level social relief which combines relief efforts from both the government and the society, and woven a new type of social relief network characterized by social participation, assignment of services to communities, charity complementation. For instance, Posthouse of Love in Ningcheng community of Longwan District consolidates multifarious resources such as venture philanthropy, social workers and volunteers, and social donations, its service items covering such areas as social relief, elderly care, support for education of juveniles during summer vacation, benevolence supermarket, education-related training, and legal counseling. Besides, it sets up “emergency relief” funds for any unexpected disaster in the community or for temporary emergent cases. In dealing with the needs for education, medical care and other public services brought about by a large influx of migratory population, the government of Wenzhou has made bold innovative moves. It has taken the lead in breaking institutional barriers between public-funded and private-funded hospitals and public-funded and private-funded schools, adopted non-discriminatory uniform polices in establishing the same pension guarantee system, allowing free flow of talents and granting equal access to accreditation of professional titles. All these have provided conditions for collaborative governance by the government and the society. For example, Phoenix Hospital in Yueqing city is a private-funded hospital specializing in mental diseases and is registered as a private non-enterprise organization. At present, it has become a fixed-point concentrated fostering center for Yueqing Disabled Persons Federation and Bureau of Civil Affairs as well as the fostering center for trouble-making persons charged with the task of relief of patients with mental illness and severe disabilities.

¹³Deng Zhenglai. *The State and the Society* [M], Peking University Press, 2008, p. 12.

4 Behind Choice of Approach: Joint Action by the Government and the Society

Owing to its developed private economy, abundant private capital, and vigorous and innovative civilian forces, the mode of reforms in Wenzhou is distinct from the government-dominated modes in other regions. This has manifested the spirit and wisdom of the government and the society in co-governance. “Transfer of governing powers” built upon the strategy of “Three Popularizes and Three Transfers” is the approach for Wenzhou to realizing multi-subject co-governance, behind the choice of which underlie the spirit and courage of the government to transform mindsets, take the initiative in carrying out reform and innovation and dare to “trial errors” as well as the inexhaustible vigor of the non-governmental sector.

4.1 Proactive Reform and Innovation by the Government

1. Change of governing concepts

Reform is the fundamental power for economic development and social progress in contemporary China, since it releases enormous energy, diversified needs and citizens’ appeal for participation hidden in the Chinese society. As the government exits from many social fields as required by economic and social reforms, there will be fewer and fewer bottom-to-top political and administrative constraints. On one hand, with more and more opportunities available, citizens will have increasingly high enthusiasm to participate in these economic, social and political processes through various channels; on the other hand, economic and social developments will create many new “public spheres” and demands for public management (such as, property management with community as the domain, industrial management dedicated to a specific industry).¹⁴ At the same time, development and popularization of new media such as the Internet, microblog and wechat has brought about new changes in social relationship and association behaviors, changes that require the government to transform their mindsets and adopt new management modes and approaches.

“Transfer of governing powers” demonstrates that, in response to these new situations, changes and demands, the government of Wenzhou has embraced the concept of “governance by not doing anything that goes against nature”. “Governance by not doing anything that goes against nature” is an underlying thinking of Taoism, which was firstly proposed by Lao Zi. He held that “if I do nothing that goes against nature, the people will adopt my customs; if I am fond of keeping still, the people will behave correctly and righteously. If I apply the

¹⁴Yan Jirong. *Social Self-Governance in China*, Yu Keping, Li Kanru et al. *Political Development in China*, Social Sciences Academic Press, 2013, p. 197.

principle of non-intervention, the people will become rich; if I do not seek excessive gains, the people will become simple”, which emphasized a kind of governance achieved by the world when no wanton acts are committed which go against nature. The concept of “governance by not doing anything that goes against nature” followed by the government of Wenzhou is an extension of the thinking of governance proposed by Lao Zi. It reflects an organic thinking of governance which combines “an invisible government and a visible government”, and implies such values and concepts as a limited and rule of law government which “makes no wanton acts”, a responsible government which “does something while refrains from doing something”, a government with separated powers in which “departments at higher levels makes no intervention while those at lower levels implements the policies” as well as citizen participation and deliberative democracy.

2. Response of institutional design

“Transfer of governing powers” is essentially to build a virtuous interactive relationship between the government and the society. The government delegates powers to the society through transfer of functions on one hand, and guides social forces in participating in governance of public affairs by actively cultivating NGOs on the other hand. In the meanwhile, it strengthens supervision over the process in which the government transfers functions and powers as well as the public space released by the government. The institutional design of the government will focus on release of space and cultivation of co-governance subjects. Constant efforts will be made to ensure that the designs are targeted at public demands and aimed to invigorate the society. A policy principle of “broad accessibility, rigorous management and encouraging incentives”¹⁵ is taken for NGOs. The following are some examples. In terms of releasing space, carry out structural reform of NGOs, improve the system of direct registration and management of NGOs, cancel unnecessary approvals and delegate appropriate authority to lower departments in issues relating to registration and management; completely disconnect trade associations with administrative organs; improve the supervisory system for NGOs; work out the list for functions to be transferred by the government, the list of services purchased by the government from NGOs, build a complete and comprehensive review mechanism comprising purchasing subjects, service targets and third parties. In terms of cultivation of co-governance subjects, take active measures to cultivate NGOs through such multiple mechanisms as venture philanthropy, incubators, service purchasing, NGO service platform and welfare service center, and foundations for development of NGOs; extend the authority for registration and management of non-public offering foundations to lower departments, make energetic efforts to invigorate non-governmental charity forces, and encourage non-governmental capitals to enter welfare and charity fields, so as to support the development of NGOs.

¹⁵Sources are interviews with Pei Jian, director of Management Bureau of Social Organizations in Wenzhou.

4.2 Promotion by Non-governmental Sectors

The reform featured with “transfer of governing powers” in Wenzhou is closely associated with civilian forces. As it were, social reforms in Wenzhou are the results under the reversed pressures from civilian vitality and civilian demands. From the economic perspective, the pro-business culture, which values both righteousness and benefits, has had far-reaching influences on economic development and non-governmental welfare and charity in Wenzhou. Under the guidance of such cultural orientation and the idea of “governance by not doing anything that goes against nature”, private economy in Wenzhou has expanded at such a rapid speed that the private economy-dominated Wenzhou mode has been fostered, which can be outlined as “boosting industry with commerce” and “small commodities and a huge market”.¹⁶ With the development of the economy and the accumulation of capital, Wenzhou’s cultural tradition of “spreading charity across the world and practicing charity on a continuous basis” passed down from the ancient times is playing an increasingly prominent role. A great deal non-governmental capitals are being continuously pumped into welfare and charity fields. Viewed from the civilian vitality, Wenzhou has long had the cultural basis for forming associations to help each other. With the deepening of government reform, transformation of government functions and establishment of a modern NGO system, policy resources for top-down institutional reforms and the bottom-up enthusiasm for association of the whole society are soon combined to release civilian vitality. As a result, a large number of non-governmental organizations spring up one after other, which can undertake active roles for serving the society in all fields. Viewed from civilian demands, transformation of economic and social systems has stimulated diversified demands of the civil society. Unfortunately, the government cannot satisfy such demands within a short period, hence NGOs become the bonds connecting the supplies and demands of the government and the civil society. Viewed from humanitarian spirits, Wenzhou people have a good tradition of pursuing practical utility, who can in good time adjust themselves to adapt to the environment to the maximum extent possible for survival and pursue benefits and development with the most effective methods and approaches.¹⁷ In addition, they are endowed with the spirit to dare to make innovations. These have helped create the exceedingly dynamic spectacle in the civilian society of Wenzhou.

¹⁶Fei Xiaotong. A Trip to Wenzhou (Part I) [J]. *Outlook Weekly*, 1986 (20), pp. 21–22.

¹⁷Cai Kejiao. An Analysis of Humanistic Spirit in Wenzhou [J]. *Journal of Zhejiang Normal University*, 1999 (2).

5 Thinking and Outlook

To deal with new changes and challenges in political, economic and social environment, the central government has come up with the solution of promoting innovations in social governance, valuing the application of the methods of rule of law and implementing co-governance by multiple subjects. Local governments are actively responding by either starting or continuing to make trials in multi-subject co-governance. Driven by civilian vitality and civilian demands, the government of Wenzhou starts to explore reverse-pressurized reforms featured by multi-subject co-governance. At the beginning of the reform, the government still takes a conservative attitude toward the development of NGOs and has yet to loosen its grip on NGOs through a dual management system. To adapt to the requirements of the situation, the government of Wenzhou took a more reserved mode for the development of NGOs. The government, on one hand, takes an acquiescent attitude to protect grass-root mutual-help associations and, on the other hand, tries to find acceptable justifications for the emergence and growth of NGOs in life in various roundabout ways. When the state loosens its grip on NGOs through a dual management system and takes a positive attitude towards cultivation of NGOs, reform in Wenzhou enters a new phase. Then, with the principle of “broad accessibility, rigorous management and encouraging incentives” and the mindset of “being a referee formulating rules for the game”, the government takes the initiative in transferring space, cultivating NGOs and exploring ways and methods for transferring functions, powers and resources to the society; meanwhile, it strengthens its supervisory functions, reinforces the independence of NGOs in basic functions, organizational agencies, decision-making system and operational management, and standardizes the processes of exercise of powers and allocation of resources. Based on all kinds of needs, Wenzhou has chosen the approach of “transferring governing powers” to realize co-governance by multiple subjects.

In practical explorations, we have found that, although social reform and social co-governance has become an irresistible historical trend, all kinds of problems, bottlenecks and barriers are encountered in advancing social reforms. Among others, how to break apart the pattern of departmental interests to make sure each department is genuinely transferring powers and resources to the society? How to break through the “hedge of interests solidification” to involve people of vested interests into the process of reform? How to pool and share powers and resources of all departments? How to supervise and manage powers and resources for co-governance? Due to limited length of this paper, we will not attempt to solve these problems from the technical level, instead, we will expound from a macroscopic aspect. We hold that, to successfully accomplish reform of the government and the society, Wenzhou must first of all set about from the following two aspects with the determination of “a warrior cutting his arm to save his life”: first, make great efforts to make top-level designs, set up a reform leading group which transcends interests of all functional departments such as Commission Office of Public Sectors Reform, Department of Finance, Department of Civil Affairs and

Commission for Development and Reform, so as to plan as a whole government reform and transformation of functions and social reform; second, take a holistic view of social reform and economic development, being aware that social reform is effective in boosting economic development, such as, developing trade associations will have positive influences on the adjustment of economic structure and the expansion of private economy, and also enhancing social credibility and resolving social conflicts is effective in boosting the economy and others.

In summary, now that reform in Wenzhou featuring multi-subject co-governance has come to the forefront in China, we cannot help but contemplating what lessons other regions in China can draw from the experience of Wenzhou? From an objective point of view, the approach to co-governance in Wenzhou is irreproducible, as it is the resultant products of the politics, economy, culture, and customs in Wenzhou and the people there. However, Wenzhou experience might as well provide much reference for other regions in China. They can at least be summed up as two points: one is the principle that the government of Wenzhou follows: “governance by not doing anything that goes against nature”, i.e. the government takes the initiative in releasing space to encourage the development of non-governmental forces, provides facilitative conditions and supportive policies in various forms for their development, and regulates the exercise of powers and allocation of resources by “formulating rules as the referee”; the other is certain mechanisms through which the government of Wenzhou cultivates NGOs as well as certain practices in which the government explores multi-subject co-governance from technical and operational levels. We believe that as social reforms in Wenzhou advances to a deeper level, they will present more new references and experience for the comprehensive reform of China.

Part II

Commentaries

Chapter 6

On “Social Management Innovations”

Ming Wang

Since 2011, “social management innovations” have become one of the most awesome concepts in China’s political life. From the central to the local level, consensus has been reached on the concept of “civil society”. Besides, a series of practices in reform and innovation have been carried out vigorously, Party and government reform in particular. A powerful current of reform has been formed from the bottom to the top to boost social construction. At the same time, the emergence of such new network media as microblog and public accountability by online citizens and other social forces have increasingly become important factors influencing public processes, bringing about a wave of bottom-up social construction forces or a civil society. These two steams of massive energy, which are surging across China, are being fermented and drawn nearer and nearer. Thus, it is worthwhile to show some concern for and make some in-depth research on this aspect.

After the “Two Sessions” [the National People’s Congress and the Chinese Political Consultative Conference (NPC&CPPCC)] of 2011, the author spent one year visiting seventeen cities, and had in-depth interviews with five administration officials in Beijing, Shanghai, Shenzhen, Xinyang (in Henan Province) and Wuxi (in Chongqing Municipality). We can see that the consensus for lashing a powerful current of reform of social management innovation has at least been reached at the local governments. Though still at their initial stage, distinctive local reforms have begun to touch upon the core link of social construction: Party and government institutional reform, adjustment of the Party’s governing idea and creation of conditions for the growth of the society.

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1 Social Management Innovations to Start with Party and Government Institutional Reform

Reform must, first of all, start from the institutions of the Party and government themselves, which has always been the first proposition for reform. Seen from the course of social management reform by local governments at all levels, all regions invariably start with institutional reform to adjust structures of the Party and government, thus initiating readjustment of government-society relationship.

The existing system with divided departments has already found itself ill-afforded to meet the needs for social development at present. It is necessary to build a new system for reallocating resources and powers so as to solve the problem with insufficient institutional supplies in social construction. Furthermore, once reform becomes the work of only one department, the driving force for reform will be greatly weakened. For other departments, reform has become the business of this department, which has nothing to do with their own departments. Moreover, they would set up all kinds of obstacles, hence, the objectives of reform have become departmental objectives, and “reform” has become the pretext for some departments to seek departmental gains.

In 2007, Beijing established the Social Work Committee of Beijing Municipal Party Committee, an agency of Beijing Municipal Party Committee, and Beijing Municipal Social Construction Work Office, a constituent department of the government of Beijing, both of which work in the same office. In 2008, Beijing set up the Social Construction Work Leading Group and its Office, and Beijing Municipal Party Committee takes the lead in planning and deploying the work of social construction. In this case, the driving force for reform is strong, and requirements in terms of organization, mobilization and coordination are to some extent compulsive. Moreover, it also avoids the possibility that reform has become oriented to departmental interests.

The practice in Beijing serves as a reference to a dozen of cities nationwide. In 2011, Guangdong Province set up the Social Work Committee, in which the Party and government bodies also work in the same office. This committee is of very high standard, with Zhu Mingguo, deputy secretary of Guangdong Provincial Party Committee, acting as its director, Liang Weifa, member of the standing committee of Guangdong Provincial Party Committee, secretary of Guangdong Provincial Politics and Law Committee and director of Guangdong Provincial Department of Public Security, and Liu Kun, vice governor of Guangdong Province, as its deputy directors and Liu Runhua as its full-time deputy director. However, unlike in Beijing, the Social Work Committee in Guangdong Province does not have any “special functions” in respect of economic, social and personnel affairs such as registration and service purchasing, but only has coordinating functions among different departments. This has avoided the risk of running into conflicts with other departments.

In other places, like Wuxi in Chongqing Municipality, the Masses Work Committee led by the Party Committee was also established, headed by top leaders

as well. In Xinyang, Henan Province, the Masses Work Committee was also set up. In Suning, Hebei Province, the Organization Department was tasked with the promotion of social management innovation and a special office was designated to push the reform.

So to speak, it has become a widespread phenomenon that top leaders of the local Party Committee takes the lead to push on with social management innovations. Only in this way, can social construction be truly put onto the center of the agenda of the Party and the government. Otherwise, there will be no ways to push forward with social management innovations, since they are always on the sideline topics.

To be honest, though “the phenomenon of top leaders” has many advantages in consolidating resources, resolving conflicts and coordinating powers, it has one critical defect, that is, “policies may cease to be implemented once the responsible top leaders leave their office”. Currently, it remains a difficult issue how to turn these top leaders-promoted reforms into institutions.

2 The CPC Represents Interests of the Whole People

Social management innovations are meant to solve one extremely pressing and grim problem: strained relations between the Party and the masses, and between the cadres and the masses. Various forms of petitions, forced demolitions due to land requisition and other issues are causing strained relations between the Party and the masses, and between the cadres and the masses. The first problem encountered in social management innovations is how to properly solve these problems. The view that some problems are provoked by “a handful of” hostile people will only further aggravate the case. In fact, in many regions, such approaches to analyzing and addressing problems have turned out to bring about just the opposite of their wishes. In preliminarily dealing with the problem in Wukan, the same thinking was also adopted, which turned out to make the situation even more acute. What does this prove? It proves that the practice of treating part of the people as hostile forces is no longer working.

Xinyang in Henan Province used to be a “major source of petitions” across the country, where the Party and government are compelled to passively dealing with petitions. Therefore, Xinyang started to transform its mindsets. Wang Tie, the then secretary of Xinyang Municipal Party Committee, put forward “the working methods of four family-related issues” (take the masses as family members, take each letter from the masses as a letter from their family, take affairs of the masses as home affairs, and take work related to the masses as a family undertaking), the core of which lies with the mindset that “the masses are our family members”. This attempts to change the previous thinking methods and solution approaches of class-based analysis, which helps alleviate to some extent the existing situation of “separation of the Party and the masses”, “separation of officials and civilians” as

well as “civilians subordinate to officials”. Once such a concept becomes institutions, all problems related to petitions in Xinyang are resolved all of a sudden.

Behind the transformation of mindsets, there underlies a question: who on earth does the Communist Party represent, a part of a class or the whole people? Even if it represents a great majority of the people, there are still 1% of enemies who remains to be eradicated. In the whole country, it would be quite a large group.

I think we should raise such a question: whether in time of peace the ruling Communist Party can represent the whole people? The thought of “Three Represents” has been pushed one step forward. With one step further forward, it will be a “Party for the Whole People”.

That the government is to deliver service or to conduct management is also a critical question. Should a service-oriented government focus on “management” or “service”? Does it represent departmental interests, or interests of interest groups, or interests of a region, or interests of the whole society? At present, reform is not merely confronted with problems with interest groups, but also the danger of national interests being taken advantage by departments and even the government and the Party to seek their own benefits. These problems, which are to be solved in the next step of reform, have been made clear in social management innovations in different regions. When Guangdong Social Work Committee was founded, Wang Yang, secretary of Guangdong Provincial Party Committee, has expressly stated that the Social Work Committee should not have its own departmental interests, and its interests shall represent the interests of the whole society.

3 Allow the Society to Get Developed

To truly solve problems with social management innovations, it will be not enough to merely resolve conflicts between the Party and the masses, the cadres and the masses through reform, since no fundamental problems can be solved this way. The most fundamental problem lies with allowing the society to get developed.

The term of social management innovations indicates that the major task for China’s social development at the current stage is structural reform. Next, at certain stages and under certain conditions, social construction will become the priority. This implies the necessity for the society to get developed. Society is a whole set of systems, which includes various NGOs and mechanisms for participation. It is a holistic system in which citizens try to reach consensus by getting themselves involved and expressing their views.

Seen from experience in Wukan, there is indeed a whole set of self-organized systems in place, so that the government does not need to worry that the elected might stand on its opposite side, nor do the masses need to worry that the elected does not represent their interests. The masses should be allowed to makes decisions on issues concerning themselves, although the results are not that satisfactory in the first place, they prove to be quite well-done in a span of several months. This is the self-development of the society. As Secretary Wang Yang often puts it, if entrusted

with the work, the society may not do quite well at the beginning, but this conforms to the general trend. The government may do quite a good job in taking charge of everything, but this does not conform to the general trend. Given time and space, the society will definitely deliver a good job, better than that delivered by the government. We should provide opportunities for the society to trial errors.

Wang Yang, Secretary of Guangdong Provincial Party Committee, often says that, the government needs to make an exit and how much the government exits, how much the society will grow. It's true. If the government does not exit, it will be impossible for the society to get developed. Guangdong is making explorations in this respect. In Dongguan, some counties and districts are expressly required to give over space by reforming the Party committee structure and cutting government functions, an exploration made to create the first condition for the subsequent development of the society. In addition, a series of conditions such as reform of registration system, construction of guarantee capability will also be gradually put onto the agenda. This will be a slow process.

4 The Advance of State Sector and Retreat of Private Sector in Social Field Is not a Big Deal

We have also noticed that, during reform in some regions, some state-run organizations are directly converted into public welfare institutions, and some local governments set up some subordinate organizations in the name of social management organizations and purchase services from these organizations established by them themselves. Such a phenomenon is retrogressive, but cannot simply be regarded as an advance of the state sector and a retreat of the private sector. It is not clearly defined which is the “state sector” and which is the “private sector” in social field, welfare and charity in particular. Nevertheless, in any case, such a phenomenon will not become the mainstream in the on-going process of social management innovations. This shows that, similar to the dual price system at the beginning of the reform and opening up, those inside the system still get hold of a great deal of resources in the current stage of reform. But as the reform goes to deeper, it would be the same inside or outside the system, and such a phenomenon will also fade away. Besides, during the first round of service purchasing, it may be possible that the government hands over as many resources as possible to its familiar organizations, but it is a question whether it will be the same for the second round. This is because when the government purchases services from NGOs, the beneficiaries are the masses, who will finally lay the blame on the government if they find the services are poorly rendered. Therefore, such a phenomenon is nothing to be feared with.

5 Give Space to Unregistered Organizations

Recently, during an interview with a journalist from *caixin.com*, Li Liguo, Minister of Civil Affairs, expressed that we should draw on experience in Guangdong, and change the dual management system into direct registration, that is to say, unless otherwise specified or in case of special fields, a NGO does not need a competent business unit for its establishment, instead, it may be directly registered with the Department of Civil Affairs.

This step of reform is quite a major adjustment. This has reversed the previous mindset that “NGOs are unreliable”. Now NGOs have become collaborators of the government. In the past, some local governments would take it as their work achievement that “not a single NGO has been registered during the recent three years”. Now, after the shift from dual management to unified direct registration, the threshold for social development has been greatly lowered, and the problem with no channels for the registration of NGOs will accordingly be addressed. Soon afterwards, support for NGOs in terms of fund, policy and taxation will also be put onto the agenda.

We further suggest that, new regulations should contain institutional arrangements for the filing of the organizations that do not meet conditions for registration, and also recognize the legality of their conducting activities. Frequent references to the concept of “illegal organizations” are against the law, since the current Constitution of China expressly specifies that citizens have the freedom to form an association. To this end, first of all, we should weaken the concept of “illegal organizations” and specifically define those anti-socialism, anti-state, anti-humanity and other terrorist organizations that should be banned; second, NGOs of public benefit, especially those ordinary ones established for the purpose of serving society, should be given space even if not registered yet. Actually, there was a concept of “unregistered NGOs” before 1989, which means that unregistered lawful NGOs are not illegal. We hope that this concept will continue to be picked up. In the long run, it is equivalent to the concept of “arbitrary NGOs” in Japan.

The reform of the unified direct registration system has played a key role in releasing legality. However, legality is not the entire resources. NGOs may next be beset with such bottlenecks as inadequate capabilities, such as low social credibility, unbalanced allocation of resources and many other problems.

The development of NGOs will take as long as thirty years or so. We are currently at such a stage in which top-down social management innovations on one side and bottom-up civil society or social construction on the other side are yet to be fully docked. “One side is not willing to listen to what is claimed as “social management innovations” by the other side while the other side cannot understand what is claimed as “civil society” by one side. However, to our delights, forces on both sides have moved up and are slowly approaching each other. In some regions,

like Guangdong, such docking has been on the way. For example, in dealing with the Wukan incident, the society gets developed and the government is also undergoing reforms. But there is much to expect whether Wukan can subsequently establish a new governance agency.

Chapter 7

Modernization of the State: Let NGOs Become Real Subjects of Social Governance

Ming Wang

1 Introduction

What is the difference between social governance and social management? The biggest difference lies in that social management is the business of the government, while, social governance, instead of merely the business of the government, also involves cooperation between the government and the society. In a sense, the society has to play a dominant role. This is what is meant by social governance. In nowadays, China's modernization is confronted with the central proposition of social governance. The core issue with social co-governance is how to reconstruct the society. When it comes to social reconstruction, we are faced with three major institutional reforms.

First, the reform of reestablishing the dominant role of NGOs, or letting NGOs truly get developed through reform of the management system of NGOs. This process has been started ever since the 18th National Congress of the CPC. I think this government has come round to this issue. NGOs must come to the positive side. This year, judging by appearance, many reforms seem to still be in the process of initiation, discussion and argument, while the reform of NGOs' management system has been launched in all respects.

According to a preliminary survey we have conducted, from deregulation of NGOs till now, the overall growth rate has been increased by three to five times compared to that of the same period of last year. If deregulation continues at this speed, registration will increase very fast and become active in many fields. I expect

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that the number of legally registered NGOs will increase from 500,000 now to 1 million in the coming three years. I think this is a very crucial process of “releasing subjects”. The relationship between the state and the society will experience great changes and NGOs will become legitimate social governance subjects which own certain public spheres.

The second reform in terms of social system is also called as “reform of social service system”, the core of which is the reform of public institutions. As a statement in the Decisions of the Third Plenary Session of the 18th National Congress of the CPC goes, “efforts will be made to promote public institutions which meet required conditions to be transformed into enterprises or NGOs”. This is very significant. In the past, when it comes to reform of public institutions, NGOs were never mentioned, only stating that “those public institutions which have conditions to take the market orientation are to be transformed into enterprises”; this time NGOs are added. So I think this point is very important. For many years, we have been emphasizing reform of public institutions, but which direction should the reform proceed toward? In 2011, the general plan unveiled the framework of “re-constructing the system of public undertakings”, which I think has made a serious mistake in term of direction. Public institutions (a majority of them) must be transformed into NGOs. Social services can no longer be provided by the state, but have to be provided by the society itself. Public institutions are an organizational form through which the state provides social services. They can mobilize resources within the system, including various resources at the central, local and departmental levels, to provide social services. This is a huge system which owns more than 1.3 million public institutions nationwide. If the reform is successful, NGOs will own larger amount of resources and wider space. Otherwise, NGOs, even if being set up, will be unlikely to have a large amount of space and resources without reform of public institutions.

The third reform concerns the system of people’s organizations, which I will call reform of social governance system. Social governance system does not solely compose of people’s organizations; instead, they are its central part. Peoples’ organizations mainly refer to trade unions, Communist League Union, Women’ Federation and other mass organizations. This Third Plenary Session also mentioned reform of people’s organizations, proposing to “plan as a whole reform of Party, government agencies and mass organizations”. Reform of people’s organizations concerns the issue of political system. Our existing people’s organizations including trade unions, Communist League Union and Women’ Federation all perform certain political functions, nevertheless, reform of this system, though more difficult, will release more political space and governance space. NGOs will not be likely to become the true subjects of governance without the reform of people’s organizations. These people’s organizations get hold of political and administrative resources, holding a crucial dominant position. Reform of this system is extremely difficult, but will have crucial effects on promoting social governance. In essence, people’s organizations have three functions: (1) political function, acting as the bridges connecting the Party with the masses; (2) administrative function, undertaking some public management functions directly authorized by the government

and thus adopting the same system as that of civil servants; (3) social functions, mainly referring to social mobilization, social coordination and social conflicts resolution and other governance functions. The fundamental direction for reform of people's organization should be gradually separating the political function, returning the administrative function to the government and returning the social function to the society. This should be a general direction.

How to return relevant functions to the government and the society? Take trade union—one of the three major types of peoples' organizations (Trade Union, Communist Youth League and Women' Federation) for example, since the trade union has important intrinsic political functions, we may draw on the Workers' Party in Western Europe for its internal governance structure, external party relations and others. For a long time, we have had no courage to emancipate our minds. How should the trade union be reformed and how should the Women' Federation be reformed? These questions need to be carefully studied from the perspective of comprehensively deepening reforms. The Women' Federation and the Trade Union themselves are highly political organizations; moreover, it is just their political nature that fetters their social functions. People's organizations are usually uniting the three functions into one, performing political, administrative and social functions. If the political function is stripped to become independent from the other two functions, then it will be easier to transform them in society-oriented ways. The second important aspect is that people's organizations have administrative functions, which are particularly strong for the Disabled Persons' Federation. Such functions should be given back to the government. For example, it will not be that difficult to return the administrative functions of Disabled Persons Federation and the Association of Science & Technology to the government. The government only needs to correspondingly set up a department when necessary. The Disabled Persons Federation used to be a department under the Ministry of Civil Affairs. Thus, if this department is returned to the government, the remaining part will be completely an NGO, which will not be difficult to reorganize.

Therefore, we are faced with three major social reforms: (1) reform of NGOs, (2) reform of social services, and (3) reform of social governance. Only when these three reforms are realized, will it be possible for the society to become the real subjects. The existing institutions consolidate and control the society through these three systems, therefore the focus of comprehensively deepening reform should be reform of these systems. Of course, there are some other systems, including the stability maintenance system, community-level self-governance system. Reform of these systems is an essential institutional prerequisite for promoting modernization of social governance, or realizing modernization of governance in all respects.

Chapter 8

On Mechanisms for Promoting Social Structural Reform

Ming Wang

Here I will mainly discuss my personal understandings of the mechanisms for promoting social structural reform.

As far as social structural reform is concerned, the 18th National Congress of the CPC has expressly put forward the strategic task of “accelerating social structural reform”. Actually, in today’s meeting, the key breakthrough point for promoting social structural system reform is stepping up efforts to promote reform of NGO management system so as to form as soon as possible a modern NGO system characterized by separation of government administration and NGO management, well-defined rights and responsibilities and self-governance according to law. But this does not represent all the connotations of the entire social structural reform. One important contribution of the 18th National Congress of the CPC is that it takes social construction as an integral part of the five modernization construction (i.e. industrial modernization, agricultural modernization, national defense modernization, modernization of science and technology, and modernization of national governance systems and national governance capacity).

Social structural reform is a complicated systematic engineering, the entire historical process of which includes three major propositions.

First of all, this time it expressly proposed to step up efforts to promote reform of existing NGO management system and form a modern NGO system as soon as possible. I think this is a well-articulated proposition. Following the report of the 18th National Congress of the CPC and the Second Plenary Session, explicit deployments and arrangements were set out in relevant documents, including the plans on reform of institutions adopted at this year’s Two Sessions [the National

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People's Congress and the Chinese Political Consultative Conference (NPC & CPPCC)] as well as the *Notice Concerning Implementation of the Plans* published by the General Office of the State Council on March 26. But from the perspective of reform, I think this issue still needs further deliberations. We are now talking about reforming the existing system and building a new system, then, who will be the target of reform? Who will conduct the reform? How to proceed with the reform? What kind of mechanisms should be relied upon to effectively promote such reform? I find that the Ministry of Civil Affairs is making explorations with regard to this issue, and also calling on other departments to coordinate in its efforts. As a fact, this contains complicated theoretical and policy issues.

The old system as we are referring to now is fundamentally a NGO management system co-established by the Ministry of Civil Affairs and other related government departments, which is characterized by dual management and joint responsibility by the registration management authorities and competent business units. Here the core departments involved are, on one side, the Ministry of Civil Affairs, and on the other, related government departments. Now who is the subject of the reform? It is the Ministry of Civil Affairs who is promoting the reform, which is quite necessary. The Ministry of Civil Affairs is precisely the subject promoting this very core part of policy system. I want to emphasize that such a mechanism also has its limitations. The Ministry of Civil Affairs has two limitations in promoting reform of the existing system, particularly in building a new system for the future: one problem is the coordination between the Ministry of Civil Affairs and other departments, which is a problem of great difficulty; the other problem is of even greater difficulty. The Ministry of Civil Affairs is both the subject of the existing system, and also the promoter of reform. The difficulty will be the greatest when the reformers have to reform themselves. In the reform of the NGO management system we are advocating now, especially in building a new system, the government must take a leading role. However, instead of a certain department, all relevant departments should be involved. From the perspective of the initial period of reform, the government should take the initiative. Therefore, more comprehensive systems and policies of overall importance should be worked out, so that reform can be promoted from a strategic height. During our surveys, we have found similar problems in many regions. Great difficulty will be encountered when only one department is promoting the reform. In some regions, reform is promoted by the Department of Civil Affairs, and in some regions, it is not promoted by the Department of Civil Affairs, so there will be even greater difficulty. This problem is extremely pressing during the initial period of reform.

In connection with this, there is another problem. What is the objective for reforming social systems and developing NGOs? My understanding is that the core objective of the current social system reform is to release social space to NGOs and return NGOs to the society so as to enable them to become organizations of the society in its true sense. Our existing NGOs have, to a great extent, not become organizations of the society. The government should make efforts to help NGOs become the very organizations of the masses and allow them to play its due role in organizing the masses through NGOs. This cannot be realized by solely relying on

the government. Perhaps, when reform comes to a certain stage, the existing system has to be opened to facilitate a transition from the government-dominated mode to the society-dominated one. In a society-dominated system, the masses will have more opportunities to participate and NGOs will play an important role. We should in due time promote such reform and transformation of the social system.

The second is social service system reform, of which the core is the reform of public institutions. When the modern social system develops to a certain stage, there will be a very critical problem: What should NGOs do? What do we expect so many NGOs to do? Now, Yunnan Province has adopted the plans for pushing on with the practice of government purchasing services from NGOs. Guangdong Province is also making great efforts to encourage NGOs to participate in public services and make them become subjects of social services. When it comes to social services, there is a major question: who is the subjects of social services in the current system? Who is providing the huge amount of social services that each of us consumes every day? The answer is public institutions. What kind of system do public institutions operate under? Public institutions operate under a system through which the state provides social services. In effect, it is a huge yet complete social service system which has begun to be constructed during war time. Nowadays, it has become a huge and highly complicated system through which the state provides social services. Without reform of public institutions, there would be no space and prospect for the development of NGOs. With the development of NGOs, efforts must be made to speed up reform of social service system and to release more space for social services to NGOs. Why? Public institutions monopolize key fields for social service and control enormous amount of social service resources. I have taken a look at the plans on service purchasing formulated by Yunnan Province today and found that all items of social services they have rolled out are peripheral. There is almost no principal item of social services. The dominant fields for social services are education, health, culture and social welfare. A majority of our social services are provided by various public institutions established by the government. In this sense, it is not that these public institutions are rendering social services; rather, the society is supporting this huge network of public institutions for the government. Without reform of this system, there will be no prospect for the development of NGOs.

There is great difficulty in reform of public institutions. Where does the driving force for pushing on with reform of public institutions come from? It comes neither from the government departments, nor from public institutions, but from social structural reform, and from the prosperity of NGOs brought about by social structural reform. In other words, the advance of social structural reform, particularly the development of NGOs will surely promote reform of public institutions. This is a crucial positive force which includes the general public. The reason is that social services are finally meant for the ordinary people, and they are the consumers of social services. In a market economy, competition is inevitable. In competition, only the fittest will survive. Therefore, reform of social service system is essentially meant to establish a market mechanism for public participation, so that NGOs and public institutions are able to compete for the opportunities to provide social

services on a level playing ground. This requires that both in terms of overall design and institutional arrangements, reform should be made more open, especially to the society. If reform of public institutions is successful, the overall pattern for social structural reform will be fully unfolded. The objective for reform of public institutions is quite clear, that is, to fundamentally change the situation where public institutions are universally run by the state. It must be made clear that public institutions should finally become modern NGOs providing premium social services, rather than falling back to the old system of planned economy.

Third is reform of social governance system, the core of which is reform of people's organizations. With the development of NGOs, another important problem with NGOs' participation in social governance will be involved. Actually, all NGOs have two functions: one is social service, the other is social governance. Social governance includes coordination of social relationship, expression of social appeals, resolution of social conflicts and others. In China's current social governance system, the most central part is the system of mass organizations or people's organizations which involve some political mobilizations. This is an extremely huge and complicated system. In quantity, China's current system of people's organizations include more than 7 million mass organizations in various forms and at all levels; in nature, these people's organizations in various forms and at all levels not only concern social mobilization and social governance, but also perform important political functions and administrative functions. As a result, people's organizations are closely associated with our systems, forming an integral whole with Party and government departments in many aspects such as personnel management, resource allocation and cadre appointment. In my opinion, reform of people's organizations, though involving in the political system and administrative system, is an unavoidable important part of social structural reform in the future. Its core lies with returning to the society the task of social governance and enable NGOs to play a more and more principal function in social governance. Of course, reform of social governance remains a problem for the future.

But here also raises an issue concerning top-level design for reform. What we mean by top-level design not only involves the macroscopic layout, comprehensive coordination of social reform at the current stage, but also should take into account the future process of social structural reform, such as reform of public institutions, reform of people's organizations, and even the docking with the political structural reform in the future. As a matter of fact, such top-level designs need to be considered carefully at the current stage of social structural reform. In this sense, I think it will be far from enough to rely on the Ministry of Civil Affairs alone to push on with the overall reform of social structural system. Therefore, considerations should be given to the establishment of a new mechanism through which social structural reform can be promoted in a unified, coordinated and full-scale manner with the macroscopic picture and overall situation in mind.

Chapter 9

Separation of Government Administration and NGO Management: Key to Deepening Innovations in Social Governance

Ming Wang

At current stage, the key for China's social governance innovation lies in promoting transformation of government functions, implementing the principle of separation of government administration and NGO management, endeavoring to delegate powers to the society and release more public space, and trying to establish a new cooperation mechanism between the government and NGOs, in a bid to cultivate a healthy and open virtuous ecology for NGOs and invigorate the NGO system.

The Third Plenary Session of the 18th National Congress of the CPC expressly proposes to reform social governance, stimulate social vitality and promote modernization of national governance system and governance capacity. At current stage in China, to stimulate social vitality, the key lies in promoting separation of government administration and NGO management and the priority is to stimulate the vitality of NGOs, and enable them to become the real subjects of social governance. Over the recent years, Party and government departments at all levels in such regions as Beijing, Shanghai, Zhejiang and Guangdong have made active efforts in exploring social governance innovation, promoting reform of government agencies and transformation of government functions, exploring reform of NGO management system and reform of community governance system through various ways, cultivating and developing NGOs in an attempt to establish a new cooperation system between the government and NGOs. They have gained some experience in these fields. Since last year, the Ministry of Civil Affairs have made great efforts to promote reform of NGO management system, and push on with construction of a modern NGO system in accordance with the deployments by the central government. In this area, preliminary achievements have been made.

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In line with the spirits of the Third Plenary Session of the 18th National Congress of the CPC and with reference to the practical experience by Party and government departments at all levels in promoting social governance innovation over the recent years, I arrive at the following conclusions: at current stage, the key to social governance innovation in China lies in two aspects: on one hand, we should further push on with transformation of government functions, speed up with great determination the separation of government administration and NGO management, and endeavor to delegate power and release more public space to the society; on the other hand, we should take active measures to support NGOs in strengthening their capacity, foster a healthy and open virtuous ecology for NGOs and encourage NGOs to stimulate their own vitality and get extensive involvement in social governance innovative practices and activities at all levels. Moreover, with the guidance of the government and collaboration from the society, we will create a healthy and open virtuous ecology for NGOs so as to establish extensive cooperative relationships and stimulate the vitality of NGO system.

(Subtitle) Stimulating Social Vitality: Practicing Separation of Government Administration and NGO Management by Clarifying the Government Functions.

(Core viewpoint) “Separation of government administration and NGO management” is not meant to weaken the public management capacity of the government, but to demarcate the boundary of government functions while continuing to deepen government reform and pushing on with social structural reform, so that the government can better manage those affairs within its responsibility and more efficiently deliver those public services that it should provide.

The essence of separation of government administration and NGO management is reform, which means, with the advance and implementation of government reform, demarcating the boundary of government functions, delegating powers to the society on a progressive basis to stimulate social vitality, and establishing through reform a social collaborative situation where the government and the society cooperate with each other. “Separation of government administration and NGO management” is the core of deepening government reform and pushing on with social structural reform, and also an important premise for comprehensively promoting social governance innovations. Only by separating government administration from NGO management, can it be possible to mark out the functions of the government in social field, and can it be possible to change from a unlimited government to a limited one, and to reform the conventional system in which the government takes charge of any and all affairs in social and other aspects; only by demarcating the functions of the government and reforming the old social system, can the pattern of a big society be likely to emerge and can NGOs in various forms be likely to have a broad space for them to develop and play their roles.

It needs to emphasize that, “separation of government administration and NGO management” is not meant to weaken the public management capacity of the

government, nor to let the government exit from the society, but to emancipate minds, innovate mechanisms, and demarcate boundary of government functions while continuing to deepen government reform and push on with social structural reform, so that the government can better manage those affairs within its responsibility and more efficiently deliver those public services that it should provide. Meanwhile, we should strip from government functions those matters that the government is not authorized to manage, or cannot manage well, or should not manage or cannot manage at all, and energetically cultivate and develop NGOs of various forms and encourage social innovation through multiple mechanisms such as cultivation and development, incubation and support, and purchasing services, so as to propel NGOs to get involved in public services, social management and other public affairs and create a social collaborative situation where the government and NGOs cooperate with each other in the course of reform.

To separate government administration from NGO management, there are two key links that deserve our attention: first, while stripping part of its public affairs, the government should at the same time hand over to NGOs such public powers and resources as are necessary for the support of these public affairs. It should be avoided that the government only transfers functions and responsibility without transferring public powers and resources. Otherwise, NGOs, not in a position to afford to undertake such functions and responsibility, will lower their service quality, which will later lead to the occurrence of more social conflicts and problems. Second, the government should take active measures to cultivate NGOs and enhance their capabilities, and transfer to them certain public powers and resources in phases once NGOs are developed and have the capacity to undertake corresponding functions and responsibilities. Cultivating NGOs and supporting their development is an important responsibility that the government is supposed to undertake while pushing on with separation of government administration and NGO management.

(Subtitle) Stimulating Vitality of Organizations: Building a Supporting System and Carrying out Capacity Construction.

(Core viewpoint) This set of supporting system is mainly a sum of all kinds of supportive policies and regulations of the state with respect to cultivation and development, support and encouragement of, and preferential subsidies for NGOs. It is a state institution whereby the state exercises public powers and mobilizes public resources to cultivate social forces, strengthen social construction and promote healthy development of NGOs.

To stimulate the inherent vitality of NGOs, we should take development of organizations as our objective, or set our key objective on cultivating and enhancing NGOs, expanding NGOs, giving to full play their positive roles, and boosting their development, so as to build a policy system which contributes to the cultivation and supporting of NGOs. Meanwhile, we should guide social forces in supporting the development of NGOs and urge NGOs to improve their capacity construction. To achieve this, the following requirements should be considered: on one hand, the

government and social forces should make active efforts to cultivate NGOs and encourage them to more extensively get involved in social fields, so as to establish a supporting system conducive to the development of NGOs; on the other hand, NGOs should carry out capacity construction by themselves, so as to enhance internal governance level and improve service quality.

First of all, this set of supporting system constitute the sum of all kinds of supportive policies and regulations of the state with respect to the cultivation, development, support, promotion of NGOs, and preferential subsidies for them. Specifically, it includes regulations for cultivation and development of NGOs, priority in participation in purchasing service and other supportive and promotion regulations and preferential tax system. It is a state institution whereby the state exercises public powers and mobilizes public resources to cultivate social forces, strengthen social construction and promote healthy development of NGOs. In China, due to huge pressure from government reform and social transformation, the development of NGOs is far from adequate in meeting the needs. Thus, cultivating and developing NGOs has become an urgent task for governments at all levels. Building a modern supporting system for NGOs is a crucial link in social management innovation. Only by doing so, will it be possible to stimulate social vitality, expand social space, and give to full play the positive energy of NGOs, thus accelerating the building of a harmonious society.

This set of supporting system also includes supports from other social forces to NGOs. In addition to state public powers, other social forces also form various relationships with NGOs, such as voluntary services by citizens, donations and funding by enterprises and large foundations, as well as NGO cultivation and incubation platforms set up by social forces. Supportive efforts by these social forces to NGOs also need to be brought onto the track of legalization so that the supporting system for NGOs can operate in a standardized and healthy manner. Therefore, the social supporting system for NGOs should also be a complete system featuring cross-sector cooperation between enterprises, NGOs, social public and communications media. Under such a social supporting system, more social resources can be exploited for NGOs. This is because, on one hand, it can help establish a long-term collaborative mechanism with other social subjects; on the other hand, other enterprises may be invited to jointly develop new products and services. Also, on the strength of publicity by various media, an effective social-public-oriented donation platform can be established, so as to increase the number of NGOs.

Meanwhile, NGOs should also build their own capacities. This could include the following four aspects: first, NGOs need to set up a professional team of talents by such means as training, learning and exchanges so as to improve their professional service capacity for participating in public services. Specifically, NGOs are expected to have professional knowledge and skills, well-trained team of talents and professional management capability, and make constant efforts to improve their professional competence in and capacity for improving people's livelihood, promoting industrial development and serving the government and the public, so as to provide as many public products as possible. Second, NGOs need to improve their

self-discipline abilities in an open and transparent manner, so as to enhance their social trust and credibility. In other words, NGOs should conscientiously observe public ethics and codes of conducts, so as to honor their commitment to self-dedication and moral integrity and undertake public responsibility; they should be responsible to the public, and win the trust of the society, the public and the government with their open and honest social images. To this end, we should speed up the establishment and improvement of autonomous and heteronomous mechanisms for NGOs, set out complete and normative autonomous and heteronomous standards and form a relatively sound internal governance structure, so as to guarantee the orderly operation of NGOs by way of institutional restrictions and continue to improve the capacity of NGOs. Third, NGOs are in urgent need of improving their ability to provide social support in terms of social responsibility and public appeals. In particular, NGOs enjoy irreplaceable superiority in such aspects as cultivating citizen awareness, improving citizen quality, maintaining social order, advocating team spirit, enhancing social trust and increasing social capital. NGOs have unique social roles in serving the benefits of the society and delivering voluntary services. At present, NGOs should provide social support to the government and the public on such social issues and welfare appeals as public charity, environmental protection, community service, and social relief, improving their social trust and social identification. These have immeasurable social effects and influences in a range of areas, including the integration of the overall values, interests and institutions of the society, coordination of social relations, regulation of social behaviors, resolution of social problems, settlement of social conflicts, promotion of social justice, mitigation of social risks and maintenance of social stability. Fourth, NGOs are in dire need of enhancing the ability to adapt to social governance innovations. In the social transformation set against the background of social reform and social construction, NGOs will undoubtedly become an important force for social governance innovations in China. Therefore, NGOs should, proceeding from the actual conditions of China, the CPC and the Chinese society, move faster in transforming themselves into non-governmental organizations and adjust their functional orientation, so as to enhance their independence and autonomy. Meanwhile, they should commit themselves to serving the society and improving people's well-being and continue to improve their capacity for survival and development, in an effort to blaze an innovative road with Chinese characteristics for NGOs.

(Subtitle) Stimulating Vitality of the System: Creating Virtuous Ecology and Developing Cooperative Relationship.

(Core viewpoint) Building an extensive cooperative relationship between the state and the society, between NGOs themselves and between NGOs and the public to establish a healthy and open ecosystem for NGOs.

With government guidance and social cooperation, we can establish an organizational ecology niche with lower overlapping density between different types of organizations. This implies that there will be more possibilities for cooperation

between organizations, thus helping expedite the establishment and development of organizations. In other words, an extensive cooperative relationship will be built between the state and the society, between NGOs themselves and between NGOs and the public, and a healthy and open ecosystem for NGOs will be established.

First, the concept of co-existence and cooperation between the state and the society should be emphasized and a cooperative mechanism should be established between the modern state and NGOs. The basis for cooperation between the modern state and NGOs is that, both as organizations of a public nature, the government and NGOs can share the value of public nature; therefore they can cooperate and take joint actions in many fields concerning public issues. Such a cooperative system is mainly a state system whereby NGOs regurgitation-feed public powers and social forces. It emphasizes the tolerance of, co-existence, symbiosis and common prosperity with social public nature by administrative public nature and even political public nature, specifically, first, the cooperative system between the government and NGOs on the demand and supply of public services. In many cases, when the government purchases services or otherwise outsources projects, cooperative partnership and corresponding institutional patterns can be built between the government and NGOs on the supply of public services; second, the cooperative system between the government and NGOs in terms of formulation and implementation of policies. To be specific, as governments at all levels try to make their policies become more democratic, professional, normative and reasonable, NGOs can take advantage of its extensive populace foundation and profound professional basis, and give to full play their roles in advocating policies so as to exert positive influences on the formulation and implementation of policies. At the same time, they can establish among governments at all levels various institutionalized talkfests, seminars, councils and other policy consultation mechanisms; third, cooperative systems which take the forms of consultative interaction and joint action between public departments and NGOs on relevant political topics. At current stage and under such systems, heads of NGOs may take part in the Chinese People's Political Consultative Conference, the National People's Congress and Congress of CPC at all levels to offer advices and suggestions, and consult and discuss state affairs. Alternatively, some organizations may apply for the consultative status in the United Nations to coordinate, cooperate and take joint actions with the government in international governance system.

Next, NGOs should build a cooperative platform for co-governance with respect to common social issues. Specifically, a cross-regional cooperative platform may be built between NGOs working in the same service field for the purpose of resource sharing, information transmission, collaborative interaction and communication and demonstration. On one hand, this can compel NGOs to pool their forces and improve their service quality; one the other, this can prevent NGOs from offering the same service for more than one time and causing excessive use and waste of resources.

Third, a cooperative mechanism for public participation should be established between NGOs and the public. As a product of citizens forming associations freely, NGOs are social forces which are operated and managed on the non-profit principle

and dedicated themselves to certain social affairs, thus they have a relatively strong public nature. They are also social communities which absorb more public-benefit resources or common-benefit resources from the society. Although NGOs in various forms are greatly different from each other, generally speaking, as a kind of social force associated on a voluntary basis, they can form extensive and open public participation mechanism through such rules as membership and volunteerism. This will help ensure the public participate in social affairs in an orderly manner, guarantee the platforms for interest expression and well-being appeals are free of obstructions and augment social members' recognition and endorsement of China's reform goals. Moreover, NGOs can be subjected to wide scope of social supervision from the society and media in general through disclosure of relevant information and improvement of financial transparency.

Finally, a network-based cooperative mode should be put in place between NGOs and other subjects. Network-based cooperative mode is a multi-element cooperative system on a higher scale formed on the basis of collaboration and is usually established by multiple organizations with self-governing capacity in accordance with specified principle and procedures. As the subjects of such a cooperative mode, NGOs, the government and enterprises are associated with each other through particular contractual relationships. These subjects take advantage of their respective strengths to cooperate with each other so as to realize the common value they jointly pursue. The network-based cooperative mode of NGOs emphasizes that, as one of the participants in network-based cooperation, NGOs create network-based organizations (groups) with the characteristics of NGOs in their in-depth cooperation with the government, enterprises and other relevant organizations. Such organizations (groups) are guided by projects and linked by contracts. They will carry out such basic activities as cross-department consultation, common participation and joint actions, so as to realize public interests, bring about coordination and interaction and ensure mutual benefit and reciprocity.

Chapter 10

Comprehensively Deepening Reform and Stepping up Efforts to Form a Modern NGO System

M. Wang

The 18th National Congress of CPC first expressly proposed to speed up efforts to promote social structural reform. So far, the overall framework for social structural reform has basically taken shape. Social structural reform is the core strategy for the second stage of China's deepening reform in all aspects; the core strategy for the first stage is economic structural reform, including reform in other fields.

There are three key tasks for social structural reform: first is returning organizations to society. This involves two aspects: one is reform of the existing management system for NGOs. The existing management system for NGOs is an entrance-controlled system, which lacks effective cultivation, development, supervision and management of NGOs. The other is attaining the goal of building a modern NGO system.

Second is returning services to society. This involves three aspects: one is pushing on with the practice of government purchasing services on a full scale. The practice of government purchasing services was started in local governments several years ago. Since 2012, the central government launched some pilot projects with funds from the central budgets. Last year, the State Council published the guiding opinions on purchasing services. The transition from the original direct service to the current purchasing service is a process that goes from simplicity to complexity. The real significance of purchasing services is not merely the opening of public services of the government to NGOs. More significantly, it can promote the reform of public institutions and explore a path for the reform of public institutions through such a new

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mode. Hence, the second aspect of returning services to society is reforming the existing system for public institutions. China has a total of 1.3 million public institutions, which is very important in the overall public service system. However, public institutions in China basically adopt a department-controlled system. So essential aspects of reform still concerns how to shift from the existing mode of resource allocation by departments to a mode of resource allocation by society, and how to effectively hand over social services to the society. The third is attaining the goal. The purpose of returning services to the society is to build a modern social service system.

The third is returning governance to society. This also involves three aspects. First, deepen reform of the stability-maintenance system for politics and law. This is a critical issue in our efforts to promote social management innovations a few years ago. Then, how should we promote reform of the system of politics and law? Social problems should be solved by social means, not by political means, nor by administrative means. Second, reform the community-level self-governance system. The Third Plenary Session of the 18th National Congress of the CPC made explicit mention of modernization of governance mode. Community-level self-governance is an essential proposition. However, there are few cases where community-level self-governance has been realized, no matter in urban or rural China. Explorations have been made in some regions, but it is difficult to sustain. How to explore community-level self-governance in the social sector remains a critical issue worthy of our close investigation. This year, I had prepared a proposal concerning special zones for social governance, exploring the possibility of setting up “special zones for social governance”. Just as what we did for special economic zones in those years, certain zones can be demarcated in some regions for exploring social structural reform. Third, promote reform of people’s organizations. The reform of people’s organizations involves the political system, so the central government hasn’t expressly brought up the issue yet. Though not necessarily large in size, people’s organizations are enormous in quantity, presumably over 7 million. These organizations have to perform their functions, and must play their roles on the basis of reform and transformation. So the reform of people’s organizations such as Disabled Persons Federations, Association for Science and Technology, Women’s Federation and the Communist Youth League must be put onto the agenda. The goal is to build a modern social governance system.

This year, I also presented another proposal on the overall plans for the reform of people’s organizations and public institutions. It is suggested that a Social Reform Committee be set up as soon as possible under the Central Leading Group for Comprehensively Deepening Reform to plan as a whole three major reforms in social field. This committee will be in charge of the top-level design for reform of public institutions and organizations. Last year, in accordance with the requirements of the Third Plenary Session of National Congress of the CPC, the Ministry of Civil Affairs and the National Reform and Development Commission are taking the lead in promoting reform of NGO management system. To my understanding, as the first stage or first level of the overall social reform, it is acceptable for the Ministry of Civil Affairs and the National Reform and Development Commission to lead the reform of NGO management system. Now a new committee at the level of central

government is needed to carry out reform of public institutions and people's organizations under the framework of new system and to examine and promote social structural reform at the height of comprehensively deepening reform.

In speeding up the construction of a modern NGO system, the focus should be laid on the cultivation and development of some NGOs and this must be enhanced as a national strategy. Particular efforts should be made to expanding and strengthening the following six types of NGOs.

The first type is foundations. Among them, the most important is aid-oriented foundations, or organizations that pay others to do things. Foundations must make sure that money is spent out and that an effective system for spending money should be put in place.

The second type is public service institutions. Why we cannot spend out the money now? It is because we lack public service institutions at the community level. The U.S. has over 1.6 million NGOs, of which 70,000 are foundations. The majority of them are service agencies. So the foundations can spend out their money. China's funding system for foundations hasn't yet been established, and there are limited agencies which are really providing services. At present, we have more than 200,000 private non-enterprise entities, but a few of them are really providing public services. So in revising relevant regulations, private non-enterprise entities should be defined as an entity providing services.

The third type is public welfare supportive organizations. Besides organizations providing services at the community level, there also needs some organizations providing various forms of support, including technical support and consulting services. Some intermediary supportive agencies can also help the government in their supervisory work. Europe has a batch of such organizations. China also needs to develop a batch of such organizations that can support the government in its supervisory work.

The fourth type is social enterprises or public enterprise groups. Some social enterprises have begun to emerge in China. They use market approaches to solve social problems. Recently, a tendency has appeared in China that some state-owned enterprises tended to adjust themselves to social enterprises in reform in relevant field. In effect, it is a way to use state-owned assets to fulfill social public responsibility. Such development is worthy of our attention. The approach of developing some social enterprises or public enterprise group can be used to explore a path for the reform of state-owned enterprises in the future.

The fifth type is trade and industry technological alliance. In recent years, the Ministry of Science and Technology and the Ministry of Information Industry both paid high attention to such NGOs. Trade and industry technological alliances play an important role in promoting technological advances. Unlike conventional industry associations which work mainly through trade-specific mutually-aiding mechanisms, trade and industry technological alliances make more efforts in technological advances and promotion, and resolution of bottle-neck issues in industry development. Trade and industry technological alliance is pursuing public benefits in a broader scope. Technological advances themselves will bring about

public benefits. Technological popularization will lead to industry development, from which each enterprise can get benefits.

The sixth type is multinational public service organizations. Our NGOs need to go out. Over recent two years, we have met with some problems in foreign countries. Actually, many of them occurred because we have only enterprises and government agencies there, but no NGOs. Either in Southeast Asia or in Africa, we are short of a kind of social lubricant, because the government is an official agency while the enterprises are profit-seeking entities. We cannot always practice charity in the name of enterprises, nor in the name of government. Whom do foreign people prefer to contact with? The answer is NGOs. NGOs are lubricants. They should be relied upon to practice charity and build our image in foreign countries.

In building a system for NGO, the focus should be on reforming the old management system and speeding up the formation of a new NGO management system. However, the issue with supervision of NGOs hasn't yet been expressly put forward. The original system is actually not a supervisory system, but a registration system. Our allocation of forces and resources, at most, can be deemed as a registration of NGOs. It is far from being supervision in the real sense. What can be called supervision? It's not meant to merely grant an approval when handling the registration. There should be supervision in place for the process and the results. Although departments of civil affairs at all levels have set up registration and management authorities and have specified staffing quotas, such limited amount of human power is inadequate for them to really perform their supervisory function, since supervision involves systematic work.

Now the threshold for reform of NGO management system has been lowered. The next problem we are facing is transformation. In the past, meticulous attention was paid to maintain strict requirements for registration while supervision is basically a matter of consciousness. Next, we have to shift from access control to process control, from access management to process management or result management. In the next stage, supervisors should be given proper means in terms of legislation and institutional arrangements, as supervisors are the subjects of law enforcement.

With regard to supervisory mode of NGOs, internationally, there are such major modes adopted by Britain, Hong Kong, US, Japan and Germany. From the perspective of supervision, we should learn from Britain and Hong Kong. It features direct supervision, compulsory restraints, relatively stronger government support and more accountability and legal constraints, particularly the concept of focusing on major organizations while relaxing controls on minor ones. In Britain, there is a charity commission, a state organ affiliated to the Parliament. It is neither a member of the Cabinet, nor a government organ, but a direct affiliate to the Parliament. So the charity commission has strong and solid supervisory rights. It has part of the legislative power, and also some essential enforcement means. When establishing supervisory systems, we should make proper institutional arrangements. The existing system doesn't work well. Many years ago, I appealed for the separation of NGOs registration and management authorities from the system of civil affairs and the establishment of an independent unified organ. The supervision of NGO is an

independent function, thus a relatively independent institution should be charged to perform such a function. Such an institution may be established as a commission under the framework of the State Council. In fact, a feasible conception is an institution somewhat similar to the State-owned Assets Supervision and Administration Commission. At bottom, it is expected that a relatively independent mechanism be established so that the issue with supervision could be considered more macroscopically.

In a supervisory system, attention should be paid to five key issues, including supervisory subjects, supervisory targets, supervisory mechanism and supervisory authority.

In terms of supervisory targets, not all NGOs should be included into the list of supervision. Britain adopts the concept of focusing on the major organizations while relaxing controls on the minor ones. Britain has a total of over 200,000 charitable NGOs. Among them, around 20,000 are actually the supervisory targets of the charity commission. They account for 94% of operating resources of the entire charitable organizations. The charitable commission does not supervise each of these 20,000 organizations. Actually, it supervises only about 400 of them, which account for less than 50% of all the charitable resources. This is truly focusing on the major organizations while relaxing controls on the minor ones. In Britain, charitable commission is a big institution, with a total of 1600 at the national and regional levels. These commissions can well-afford to focus their supervision on the 400 organizations. We can select a kind of NGOs which can be called public charitable organizations or large-scale public charitable organizations as our supervisory targets. Currently, we have a total of 500,000 NGOs. Once the threshold for registration is lowered, the number will be expected to exceed one million in the next three to five years. So a new supervisory concept should be figured out. Instead of supervising all NGOs, we should supervise them in a tier-to-tier manner, and the focus should be on several hundreds of them. Others can be supervised either through intermediary organizations or through social supervision and annual inspection. Standards should be specified for the focuses of supervision. Britain's practice is supervising operating funds and scale, or annual earnings and annual expenditures. We may have to consider other standards. But whatever standards are used, the point is that we can only well-afford to supervise a small number of them.

In Hong Kong, social welfare departments provide a great amount of funds to NGOs. They are also implementing the principle of focusing on the major organizations while relaxing controls on the minor ones. Actually, they only supervise some 60 organizations. China is such a large country that we must make clear the principle of focusing on the major organizations while relaxing controls on the minor ones in supervision of NGOs. Public charity itself is a big organization, so key organizations should be the supervisory targets, with the focus on such aspects as agencies, projects and personnel. Besides, there should be a supervisory mechanism and authority in place. Supervisory mechanism includes periodic inspections, regular assessments and investigations upon reporting of malpractice, which is a general practice in Britain. Such a practice in Britain is actually a

dynamic supervision, while our practices of annual inspection and assessment are conducted on a periodic basis, which in effect are static supervisions. Britain has established a receiving system for reports, whereby any report concerning charitable organizations can be dealt with on site in the shortest time possible. The British holds that charitable organizations belong to the society, and every citizen inclusive of the staff working in them should be responsible for the proper operation of NGOs. So one can report a problem at any time when he spots it.

In Hong Kong, supervision is conducted through random inspections. Supervisors will go straight to the site without any notice to the institution concerned and record the whole process from starting work to finishing work and how they render services. Such records shall be used as critical basis for assessment. There are relatively few such organizations, 60 of them.

In terms of supervisory authority, Britain has a particularly important law enforcement power, that is, the trusteeship of property and institutions. In case the review panel does find problems in its field visit to any reported institution, it may directly freeze the assets of the institution, dissolve the existing council, and order the institution to establish a new council within a specified period without reporting to its superior department. This works quite well, as charitable organizations sometimes deal with massive amounts of money, and such arrangement can prevent the assets from being transferred elsewhere. In Britain, such authority may be rarely used for a whole year, sometimes not even once for quite a few years. However, all charitable organizations are well aware that supervisory departments have such an authority and will immediately impose punishments in case any behavior is found to be in breach of rules.

Efforts have to be made to explore a supervisory system with Chinese characteristics while deepening the reform. On one hand, the management system for NGOs has to be reformed; on the other hand, reform of public institutions and people's organizations should also be discussed. As a matter of fact, reform in these three sectors can be carried out concurrently with the establishment of a supervisory system. In China, there are a colossal number of public institutions and people's organizations. It is possible for many organizations to convert into society-oriented third party supervisory institutions and be responsible to government supervisory departments. But the premise is that their personnel system, operating mechanism and governance structure should be reformed.

So, in the course of comprehensively deepening reform, we can explore the possibility of transforming some of public institutions and people's organizations into a kind of intermediary organizations, so as to foster a diversified ecology for NGOs with three major functions. To be specific, some will focus on resource mobilization, some will directly be responsible for providing social services and some will engage in social governance. The third type has the supporting and coordinating functions of an intermediary agency. So in the future's NGO system, the ecology for NGOs should be diversified. At current stage, there must be clear and specific reform awareness and top-level designs based on national interests to promote the reform and transformation of some of public institutions and people's organizations. In the future, the scale of NGOs as a whole should be able to sustain

the existence and development of China's modern social system. Apparently, the current 500,000 organizations are not enough; even if the number is increased to 1 million after the threshold is lowered through reform of NGO management system, such scale and capacity then will still not enough. Just as we find now, in China's market economy, those that play an effective macroscopic role in the market economic system are still state-owned enterprises, those having subjected to reform before. In the future, after reform, there should be some backbone organizations which are really taking a leading role in our modern social system. Such organizations must be formed by transforming the original public institutions and people's organizations. From the future's conception, some difficulties might be anticipated if we merely count on those grass-root NGOs which start from scratch to prop up the whole modern NGO system. We need a foundation, and a large number of organizations and institutions to provide services at the front lines. Moreover, NGOs at all levels need to be developed, especially those backbone organizations. This needs us to find the development paths for such organizations in the reform and transformation of existing public institutions and people's organizations. From the founding of the People's Republic of China to now, we have accumulated many stock resources and assets available from the development of people's organizations and NGOs. Nevertheless, some stock resources are not properly activated. Therefore, it's an important issue for China to allow them to play an active role in the future's social system based on the reform and transformation.

Chapter 11

On Government Purchasing Services

Ming Wang

In September 2013, the State Council held an executive meeting to deliberate the specific issue of purchasing services. At the meeting, it made clear that part of the public service function will be transferred to NGOs, and put forward in detail five requirements, including working out a guidance directory for purchasing services. It is learned that the State Council is stepping up efforts to roll out guiding opinions on the government purchasing services from NGOs. This is another major move by the central government in pushing on with transformation of government functions and speeding up social structural reform since the National People's Congress passed plans on institutional reform in this March.

Purchasing services, also known as “outsourcing” services, is one of the key contents of the new public management campaign that emerged worldwide since the 1980s. The privatization waves pursued successively by British Prime Minister Margaret Thatcher and American President Ronald Reagan invariably contain contents of purchasing services. Viewed from practices in all countries, the subjects of purchasing services are mainly governments at all levels, and the targets are mainly all kinds of non-profit organizations. In contents and scope, it mainly involves various kinds of public services, including education, medical care, culture, old age care, aid to the disabled, and community-level comprehensive services. The beneficiaries are mainly disadvantaged groups and non-specific majority of social public. Government purchasing services has broken the tradition of government's monopoly over public services. It opens part of the public spheres, introduces non-governmental forces in the form of contracts by taking advantage of

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the market economy and establishes a new mechanism for the provision and development of public services. Thus, a new type of supply and demand relationship involving taxpayers (demand side)-government (outsourcing side)—non-profit organizations (supplying side) is formed. In such a mode, the government does not directly participate in production or provision of public services; instead, it acts as the outsourcing party of public services, and is called the “the third party” government outside the demand and supply of public services. By introducing market economy in the provision of public services, purchasing services not only improves the efficiency in utilization of public funds, but also greatly increases the quality of public services and satisfaction of the public. This is because it is dominantly targeted at non-profit organizations, and gives consideration to non-profitability, public interests, flexibility, accessibility and demand-orientation in the provision of services. For these reasons, it has increasingly become a measure valued by many countries in promoting public management innovations.

The Chinese government has started purchasing services from the middle of the 1990s. “Roshan Citizens Hall” in Pudong New Area of Shanghai is considered as a successful pilot project in which local government purchases comprehensive services for communities from NGOs. Over the recent years, the governments at all levels have made active explorations in purchasing services to promote social management innovations. On one hand, great efforts are made to promote transformation of government functions and to hand over to social forces part of functions such as public services and social management that were previously undertaken by the government; on the other hand, active measures are taken to cultivate and develop NGOs and to encourage NGOs to participate in public affairs. Shanghai and Shenzhen have been the first to launch pilot projects. Guangdong Province has rolled out local regulations and relevant documents, and has gradually gained some salutary local experience in purchasing services. As is shown by practices, by transferring to NGOs those public services that the government “is incapable of doing”, “inconvenient to do” and “cannot do well”, purchasing services can help transform government functions and strengthen public services so that the masses can get more convenience and benefits. At the same time, it can bring about more development space for NGOs and bridge the wide gap between the government and the society. However, some problems were revealed in practices in different regions. Such typical problems include: unclear understanding of the nature of purchasing services, equivocal subjects, unspecific contents, overly general scope, incomplete mechanism, poor implementation of principle and responsibility. Some regions even raised quantitative requirements on the growth rate of annual budget for purchasing services.

With regard to these issues, my suggestion is that we have to be fully aware of the importance of purchasing services in promoting transformation of government functions, speeding up social structural reform and further improving the market economic system, and also adhere to some important principles in purchasing services. We should prevent a headlong rush into mass actions while guarding against deviations in purchasing services.

First of all, we should adhere to the principle of public services in purchasing services. Purchasing services only involves changes in the provision mode of public services, and will not change the contents and natures of public services. In other words, through purchasing services, public services that are originally provided by the government are to be directly provided by social forces. The government will mainly engage in process supervision, results accountability and efficiency evaluation. However, the contents and natures of public services are not changed. In transferring functions to the society and the market, the government has to properly address the relationship between service purchasing and transformation of government functions. The mode of purchasing services can be adopted only for those functions that retain the attributes of public services. It should be avoided that all functions that the government transfers including part of the government's own functions (such as logistic services) are labeled "purchasing services".

Next, we should adhere to the non-profit principle in purchasing services. The subjects that undertake purchasing services should dominantly be NGOs, and should not be profit-seeking enterprises, nor should they be administrative public institutions. We should adhere to the non-profit principle for the maximization of social benefits, so as to ensure that public services are comprehensive, premium and accessible. It is allowed to get limited profit, but not allowed for social forces involved in purchasing services to take maximization of profits as their objective. Strict standards should be maintained at the access stage for qualification confirmation and credibility evaluation. Moreover, the threshold for market access should be lowered so as to allow qualified and reputable NGOs to get involved. At the same time, we should guard against enterprises and public institutions from joining in swarms, and also note that a few local governments may register NGOs purely for the sake of purchasing services and continue "the cycle of operating within the system".

Third, we should adhere to the principle of market orientation in purchasing services. In essence, purchasing services is to provide public services in a market-oriented way. The core elements of marketization include openness and transparency, equal competition, and fair price. The threshold for bidding qualifications should be defined so as to avoid that "a little horse is pulling a heavy cart". We should duly publish relevant information about the government purchasing services from NGOs, explore bidding and other mechanisms, cultivate and develop NGOs, so as to create a competitive market environment. We should also select the best through such competitive means as entrustment, contracting and procurement. We should take measures to prevent black box operation and eliminate any interest transfer and improper related transactions in the name of purchasing services.

Fourth, we should adhere to the principle of efficiency in purchasing services. By introducing social forces and market mechanism, purchasing services can, on one hand, improve the efficiency in utilization of funds for public services and, on the other hand, strengthen the demand-supply balance and social accessibility of public services. We should include purchasing services into our overall plans for government budgeting. The government should decide service items on the basis of accurate information about demands, allocate funds according to service items and

ensure that funds for purchasing services are available in due time; the government should improve all links concerning the whole process of purchasing services, including information disclosure, supervision and accountability, auditing and accounting, and dynamic management; the government should establish a third party evaluation mechanism for qualifications of NGOs, update in real-time the qualification list for NGOs that have taken over government purchasing services, retain only the fittest of the subjects concerned, and apply limited funds to areas that the masses need most, so as to enable the masses to enjoy premium and efficient public services. Measures should be taken to prevent dishonesty and wastes and prohibit sub-contracting any public services to others.

Fifth, we should adhere to the progressive principle in purchasing services. As a new complicated mechanism for providing public services, purchasing services not only involves multiple subjects such as the government, NGOs, beneficiaries (consumers) and taxpayers, but also contains multiple mechanisms including policy, budget, market and non-profitability. Meanwhile, it is also restricted by a range of factors such as fiscal capacity, management system, maturity of NGOs and their capacity building, market structure and stock. Explorations for purchasing services should be a process of continuous learning and progressive enhancement. Its applicable scope, scale and intensity should be gradually developed. After launching pilot projects in regions where required conditions are met, the government can progressively summarize relevant experience and popularize these practices. As purchasing services requires supporting funds from various departments, the situation that “government at the higher level is enthusiastic while government at the lower level is not” may occur. In other cases, with the logic of “allotting money from the finance”, some regions and departments may blindly take mass actions. Both such phenomena should be avoided.

Sixth, we should adhere to the principle of synchronism in purchasing services. Purchasing services should be promoted simultaneously with the construction of the NGO system as well as the formation of the modern NGO system. Specifically, the social management system should feature Party committee leadership, government responsibility, social coordination, public participation and legal guarantee and the modern NGO system should feature separation of government administration and NGO management, well-defined rights and responsibility and self-governance according to law. We should encourage NGOs to get involved in purchasing services, and endeavor to build a cooperative win-win relationship between the government and NGOs in the sector of public services. Meanwhile, we should safeguard the independence of NGOs and prevent the government from “incorporating” NGOs in the name of purchasing services. Furthermore, purchasing services should also be promoted simultaneously with government structural reform and reform of public institutions. Through purchasing services, we should further push forward with transformation of government functions and reform of public institutions, while guarding against public institutions availing themselves of purchasing services to convert the manner of allocating funds and make wrong use of reform.

In conclusion, purchasing services is a systematic engineering, which is both significant and complicated. Currently, the government is making active efforts to streamline administration and delegate powers to lower levels. We should seize this opportunity to learn lessons from our explorations and guard against deviations while forging ahead phase by phase. Only in this way, can we better release dividends of reform and form a resultant force of public services and social construction.

Chapter 12

On Hangzhou: “We” Is a Kind of Ideological Emancipation and Social Reconstruction

Ming Wang

I’m much honored to attend this forum again. This is the third time for me to attend such a forum themed social construction and “we”. I really appreciate Hangzhou municipal Party committee and government for their continuous concern for social construction, and for their renewed efforts to elevate ideological and theoretical discussions on social construction to such a height. I myself have been conducting in research into NGOs, and have turned my attention to social management innovations only in recent two years. I believe that the ongoing 18th National Congress of the CPC will also include social management innovations as a crucial topic.

Since the beginning of last year, I have begun to use a new concept—social management innovations. Just now I have noted that the report of the 18th National Congress of the CPC continues to use this concept but in a different perspective—“strengthening social construction”. Although both versions involve social management innovations, while, in my opinion, focusing on social construction and strengthening social construction through innovating management modes is very close to my research and focus of attention.

Since the first half of last year, I have been making investigations on social management innovations in all parts of the country including Hangzhou and have gained a general picture of these issues in terms of either territory or hierarchy. The central authorities have mentioned that social management innovations shall feature Party committee leadership, government responsibility, social coordination and public participation. In promoting social management innovations, either the central or local governments have made some explorations and innovations in terms of Party leadership, in a bid to build a new system. For example, a unified coordinating agency is to be established nationwide. In institutional arrangements, some regions set up the Social Work Committee, some the Masses Work Department, and

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still some attempt innovations through the Organization Department. The Party Committee is a crucial subject in promoting management innovations.

Then, we have to promote reform of and innovation in the management system. Social management innovation, once fully implemented, will concern more with issues in social construction. Hangzhou has built many platforms for negotiation and dialogue, which are actually boosting social construction and social restructuring. Talking about the concept of “we”, I am reminded of “Pan Xiao”, a household name in mainland China some thirty years ago. He then came up with the concept of “I”, and the concept of “I” in social reconstruction. Such social reconstruction had caused many problems. Now Hangzhou puts forward a new concept of “we”. This concept is mainly meant to intervene from the perspective of “citizens”. Reviewing the past 30 years since reform and opening up, we would find that there was a wave of ideological emancipation movements at the initial period of reform and opening up. Actually, Pan Xiao’s concept of “I” was part of such ideological emancipation movement. He was awakening a kind of new force in the whole society, a force whose core is “I”. Now the introduction of the concept of “we” is also part of the new ideological emancipation and theoretical innovation. However, at present, “we” are still in lack of a consensus. What’s the ideological significance of the concept of “we”? Do “we” really have the basis for co-existence? In the next period, what can we share with each other? Just now Professor Wen has mentioned China’s economic territory, but I think no prospect of sharing can be seen from such an aspect alone. We are now in urgent need of discussions on ideology and theories. I think that such a forum with the theme of “we” in Hangzhou is actually an event spearheading the trend of ideological emancipation. I sincerely hope that it becomes a starting point in our new round of ideological emancipation.

At present, community-level local governments concern more about social construction, particularly public participation and social coordination. One of my findings during my preliminary investigations is that many places have given consideration to their own features in their explorations. Logical conversion between these two kinds of issues can be seen in some relatively successful explorations. In the face of some major problems in social field, or political and social issues concerning social management innovations, it is necessary to have such logical conversion between these two kinds of issues. I would rather call such logical conversion as two kinds of wisdom.

The first kind of wisdom is to deal with issues of stability maintenance in a rule-of-law mindset, and deal with legal issues through proper governance. Issues of stability maintenance, whether for the central or local authorities, are causes of social issues, and are posing pressures to the authorities. In a traditional society, such issues could easily be taken as political issues, while some local governments now try to resort to rule of law when faced with issues that can easily be politicized, and then solve legal issues through proper governance, so as to resolve conflicts and contradictions between the Party and the masses through consultation and dialogue.

The second kind of wisdom is to address political issues through institutional adjustments, and solve institutional issues from a perspective of society. Political issues can be understood as issues of Party governance and is a mode in which the

Party acts as the central leader to unite and govern the society. How can such issues be solved in reality? If elevated to a higher level, they can be considered as political issues, in which you either advocate or oppose the Party. And if brought to a lower level, they can be considered as social issues. Social issues can be solved through social mechanisms and institutions, and then be converted to issues of social construction.

One typical case is Wukan in Guangdong Province. Last year, I toured dozens of cities for investigations, with the focus on Wukan and Wuxi. I have been to Wukan for three times. With respect to the issues of Wukan, I have published many papers, totaling around more than 100,000 characters. In addition to systematic review of and reflection on Wukan incident, I also made analysis from such different angles as ethnology and religion. Although Wukan, with a population of 13,000 only, is so small that you may not locate it on a Chinese map, it received attentions from all over the world last year. As a matter of fact, the issues as observed in Wukan are also occurring in many other places in China. The solution to Wukan issues has changed many people’s views on the Chinese political pattern.

What experience can we gain from the solution to Wukan issues? One is a conversion of mindset, that is, to deal with stability maintenance issues in a rule-of-law mindset, and solve legal issues through proper governance. The major problem involved at that time was land-related disputes, which further led to petitions and collisions between the police and the civilian. To deal with this problem, you might have many options. For a period, the prevailing option was to discriminate conflicts between “I” and “you” or “I” and “enemies”. In other words, some are hostile forces and some are opposing forces. Then how to deal with them? I think the method of class-based analysis or conventional political approaches will only lead to conflicts and blood-shedding. Of course, there was blood-shedding in Wukan, but the solution offered in Wukan was relatively satisfactory, with minimum blood-shedding.

Wang Yang, Secretary of Guangdong Provincial Party Committee, has made a pointed remark when talking about Wukan during the National People’s Congress and the Chinese People’s Political Consultative Conference. He said that we had not made much innovation in addressing Wukan incident and we were only fully implementing the provisions in our laws and regulations. To do or implement what we are supposed to is a significant transition. It is not that we didn’t have such law in the past. We did have laws there but we did not implement them. Now they are fully implemented and have been brought onto the track of rule of law.

The second experience is to communicate and negotiate fully with each other. In Wukan, there are a dozen of different channels. Some channels are open and are enabled via the media; some are half-concealed and still some are concealed. In our visit to Wukan, we had worked out three plans, and finally we entered it through the internal channel. This channel is easy to get through. In Wukan, the communication channels not only come from the government, but also from the media, the civilians and the villagers. Why can the issues of Wukan be solved in a peaceful way? Basically, I think because there are many “pipelines” and “vent valves” in Wukan. Therefore, with so many “vent valves” in operation, no matter how big the balloon is inflated, it will not get exploded. This has provided many revelations for the

solution of other similar mass incidents. To solve mass incidents, we have to find the “vent valves” and explore any potential channel and mechanism. Wukan’s experience is that, as long as the Party staunchly stands with the masses, the masses will resolutely uphold the Party. When I was in Wukan, I noticed there was a Hutou Mountain, and a Party flag was planted on its top. I took a picture under the Party flag. I would say that democracy in Wukan is democracy under the Party flag. Why? This is because the Party flag was erected by the Ardent Youth League, not by the CPC. In the past, the Ardent Youth League had been always against the Party, and had been opting for democracy. Now they have made the choice with their actions. This proves that as long as the Communist Party stands on the same side with the masses, the masses will undoubtedly uphold the Party.

Wukan gives an important revelation for administrators and governors. Conventional views held that there must be distinctions between the enemy and “I” and between different classes. In addressing the Wukan incident, Wang Yang made it clear to unswervingly take the side of the masses, rather than of the lawbreakers. He insisted on that we should adopt the thinking of rule of law, rather than adhering to the old mindset of distinguishing between enemies and “I”. There is only the distinction between law followers and law breakers, but no distinction between the enemies and “I”. This is a major ideological conversion. We have noticed similar practices in other places as well. The nuts will be easier to crack if the masses are finally won over to our side. This is the first case.

Another typical case is Wuxi, an impoverished county in northeast Chongqing. It has not only underdeveloped economy, but multitudes of social problems. About four years ago, Wuxi began to experiment with the construction of a “Harmonious Homeland”. Here a logical conversion is involved in their attitudes to the problems. In the past, it was considered to be problems with Party governance. The relationship between the cadres and the masses was much intense, and there were urgent problems with petitions. As it were, the masses had come to resent the community-level administrations. Under such a situation, how to improve the relationship? Administrators in Wuxi first turned their eyes to problems in their institutions. Instead of passively dealing with petitions, they themselves went to the community to hear and address grievances of the masses. The Party secretary himself took the lead in setting up the “Masses’ Work Department” and established a system for grid-patterned services.

The grid-patterned system in Wuxi is different from those in other places. It requires units directly under the county government to deliver their services to the villagers. Each unit should take advantage of resources on hand, or even donations from themselves, to provide services for the villagers. Measures were to be taken to ensure that all villages are covered. The aim was to establish a series of institutional measures to resolve political crises and conflicts. Behind the system underlie their attempts at a kind of social construction, which they call “Harmonious Homeland”. The core of “Harmonious Homeland” is to allow the people to get involved in the construction of their own communities. They also set up a Harmonious Association and invited the famous environmental protection organization “Global Village” to engage in the efforts to train, mobilize, organize and coordinate the locals. People

there have developed recognition for their homeland through participation in such a process, including cultural regression and interaction. Also, a platform is established for the Party and the masses to have dialogue and communications. In this way, the issue with Party governance is solved through institutional reforms and the institutional issues are solved through social means. The local people’s confidence in the Communist Party is restored. From this case, we can understand that, we must have full confidence in the masses’ ability to construct their own beautiful society, even in impoverished areas or areas with sharp conflicts.

These two cases perhaps are still individual cases in China. But I feel that actually we have found two approaches to social management innovations. One approach is to convert political and stability maintenance issues into governance issues through social coordination and to foster public domain through social consultation, so as to explore the way to establish a civil society on the basis of mature public domain. The other approach is to find social subjects through social construction. Here the social subjects refer to NGOs, organizations of the masses themselves. It is expected to develop a civil society through such NGOs.

I still prefer to use the concept of “civil society” to interpret the ongoing social construction in China. Some aspects need to be promoted by the Party and government, such as the building of a rule-of-law country, the construction of political democracy, and the transformation of government functions; while some aspects are spontaneously realized during the respective development of market economy and social construction. A civil society is composed of three aspects: the first is the social organism with NGOs as its core; the second is the value system formed on the basis of social organism, which we call the value system of a “good society”. It includes such concepts as “making our life better” in Hangzhou and Happy Guangdong; the third is the public consultation system, which is the principal part of a civil society. It means that, in public domain, citizens form forces among themselves through consultation and dialogues, so as to influence public processes and counterbalance the market forces.

In building a civil society, who is the dominant party, the Party, the government, NGOs or individuals? To my understanding, for the Party committee, its main responsibility is to provide overall objectives and development strategies for the civil society through top-level designs, so as to promote construction of a rule-of-law country and construction of political democracy; for the government, its responsibility is to provide institutional supports to the civil society; and for the market, its responsibility is to further improve the market economy so as to provide economic base and material guarantee for the civil society. Therefore, the dominant party in the construction of such a social system is neither the Party, nor the government or the market; it is NGOs and their participants—citizens. Only through such a process, can we reconstruct a new social system centered on “us”. I think the practices in Hangzhou are just a process of exploring the reconstruction of a civil society centered on “us”. We will pay constant attention to any positive practices by Hangzhou in social construction. Thank you!

Chapter 13

On NGOs in Wenzhou and Social Innovation

Ming Wang

In May 2013, when the special research group of the Social and Legal Commission of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) conducted a field visit to NGOs in Wenzhou, I joined as one of its member in the relevant discussions and visited several typical organizations and communities. I could feel the innovative vigor and wisdom from this pioneer city in reform. Upon the conclusion of the National Committee of NPPCC, NGO Research Center of Tsinghua University and Philanthropy and NGO Support Center lost no time in setting up the Wenzhou Research Group. Then in middle June, I, together with four doctors, once again went to Wenzhou for a week-long investigation. Our focus was on community construction and reform and innovations of NGOs. Through discussions and communications, site research and field surveys, we are deeply impressed by Wenzhou's practices in promoting integrative development of urban and rural areas over the recent years. To this end, they have taken bold measures to promote social structural reform and management innovation and cultivation and development of NGOs.

1 Wenzhou Spirit

In synchronization with the market economy, NGOs in Wenzhou have basically experienced four stages in their development: market spontaneity, civil welfare, community coordination and cross-domain co-governance. Over time, it has formed

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a wide-ranging NGO development system with a complete range of varieties. In such a system, NGOs vary in scales and are well-connected between the higher and lower authorities. It has also manifested the Wenzhou spirit of reform and innovations and daring to be the first in social construction and NGO development.

1. Daring to be the first

What is the spirit of Wenzhou? As recorded in *The Prefectural Topography of Wenzhou*, “the area has a barren land unfit for developing agriculture, and the people there have exceptional strength, therefore, although it is unsuitable for rearing silkworm, the people are good at weaving silk; though it does not grow lacquer trees, they have a complete variety of utensils”. Faced with the reality of a “barren land” difficult to make a living, Wenzhou people began to migrate elsewhere and even sail overseas to work as “merchants and peddlers”. Their resilient and hardworking quality has earned them the reputation that Wenzhou businessmen are “number one in the world”. The spring breeze of market economy also first swept across this land, breeding the first practitioner in fixing farm output quotas on the household basis, the first practitioner in private charter flights, the first individual industrial and commercial license, the first city of farmers and the first joint-stock rural credit cooperative, so on so forth. Countless “first” records have embodied the intrepid spirit of Wenzhou people who dare to be the first in a crowd.

After Deng Xiaoping made his speech during an inspection tour in south China, Wenzhou’s market economy began to develop rapidly, with a large number of private enterprises rising up. However, private enterprises have their intrinsic weakness, such as decentralized operation, disorderly competition and irregular behaviors, which severely hampered the development of enterprises, industries and the economy. In the face of malfunctions of the government and the market, how to regulate and ensure the industry develop in a healthy and orderly manner has become an urgent problem in the development of market economy. When faced with such problems with the market, private economy, with its intrinsic, instinctive and spontaneous needs, has spawn such self-initiated organizations of entrepreneurs as Wenzhou Fashion Association, Shoes and Leather Industry Association, Lighter Industry Association, Optometric and Optical Association, and Low Voltage Electrical Apparatus Association of Yueqing. Such organizations have played an important role in suppressing intra-industry cut-throat competition, and implementing self-discipline in the industry. For example, the Lighter Industry Association has successfully dealt with European anti-dumping proceedings and achieved a great success. Through this, it not only safeguarded the rights and interests of the industry, but also promoted its development.

With the development of the society and diversification of public interest demands, social conflicts also emerge one after another. Following the spirit of “daring to be the first”, Wenzhou people also made constant innovations and explorations in community-level social governance and development of NGOs. Given the gap between the urban and rural areas in public services and the ineffectiveness of the original “system of sub-district office and neighborhood

committee” in response to community-level social management innovations and public service demands, Wenzhou has taken the lead in reforms aimed to “reconstruct the community-level governance architecture”. Through a series of measures, they have formed a new community management mode featured with a reconstructed unitary urban and rural structure across the city. Such measures include separation of village committees and village collective-owned enterprises, separation of land assets and non-land assets, and separation of household registration and property ownership, joint-stock-system-based reform of non-land assets in village-level collective economy, reform of transfer of land owned by villagers and reform of household registration rules. In the game-playing between such stakeholders as the property developer, the owner, property management services company and the community residents committee, the owner committee is left in an awkward condition, because it performs practically no function at all without independent status, independent legal personality and independent account. Under such a situation, Lucheng District in Wenzhou made active explorations in establishing the first registered organization “Owner’s Assembly” in China to resume the name, status and rights of the owner committee. It becomes a real representative agency for all the owners, enjoys independent legal personality, independent account and adopts standardized management mode. Free Tea Stands and Relief Porridge Stands are traditional practitioners of public charity in Wenzhou, but many now lie idle and are managed in a disorganized manner. In response to such a situation, “Zhuangyuan Pavilion” explored an institutionalized operation mode. Headed by social elites, the entity has a backbone team of retired workers. It is funded by entrepreneurs and has more than 80 volunteers with health certificates working in turns. The entity has won the first “business license” for relief porridge in China—“Zhuangyuan Harmonious Home Free Tea and Relief Porridge Stand”, and has been officially registered as a non-governmental non-enterprise unit.

As in the reform of market economy, Wenzhou people has adhered to their spirit of daring to be the first and created one “national first” after another in social construction and development of NGOs.

2. Civilian wisdom

During the investigation, an official in charge of registration and management authority confided to us: working as an official in Wenzhou, you can sense at all times the surging civilian forces and inexhaustible civilian wisdom. To some extent, these are reverse-pressurizing the government to “fulfill its duties” and “refraining from doing anything beyond its authority”, and you will experience all the more that reform is an irresistible trend and aspirations of the people.

In the 1990s, a number of industry associations rooted themselves in the market actually didn’t derive from the system; instead, they were born out of the intrinsic necessity of enterprises cuddled together to get warm in midst of fierce market competition, so as to reduce transaction cost through negotiation and compromises. Their civilian character from head to toe as well as their economic characteristics deeply rooted in the market made them totally different from those state-run

industry associations then prevalent across the country. That has grabbed the attention of me and many other scholars who are following on the development of grass-root non-governmental organizations. Since 1999, I have been following on industry associations in Wenzhou and headed many research groups coming to Wenzhou for investigations. At their invitation, I acted as consultants for many industry associations including Low Voltage Electrical Apparatus Association of Liushi City and drafted “Industry Associations of Wenzhou”, “The First Case after China’s Access to WTO” and other research reports. I have witnessed the civilian wisdom and extraordinary performance displayed by industry associations in Wenzhou in their efforts to regulate the market order and remedy the market failures. Along with people’s increasingly stronger demands for material culture and public services and necessity for transformation of government functions and social synergistic governance, a great number of NGOs are emerging from the base of society, with the aim of resolving social issues. Here I will only name a few of them, Jingshui Community Legal Service Agency, Lucheng District Owners’ Assembly, Jinchuan Community Fiver-Group Quasi Property Management Service Station, Green Eyes of China, Emergency Rescue One and One, Green Water Network, Charity Chatting Volunteers’ Association of Yueqing, Dongtuo “Mother Haixia” Service Group. These organizations are born among the civilian sector and rooted in the society. They are sparking with the vitality of civilian grass-root organizations and making up the deficiency in government services. Take Lucheng District Owners’ Assembly as an example, as the first owners’ organization registered as a corporation aggregate, it directly elects a competent group of leaders without any candidates nominated beforehand. It effectively exercises the rights on behalf of the owners, and redefines the rights and responsibilities of property developers, owners and property management companies. At the same time, it conducts active cooperation with the sub-district offices and resident committees, expands community services and improves the community-level government’s performance in social management and public services. More importantly, it helps explore the direction for reform of owners’ committees in China.

3. Welfare leaders

Leaders of NGOs that grow up in the grass-roots usually possess the charisma of a leader: tenacity, tolerance and vitality, as they need to keep learning and adapting themselves to hardship-ridden environments so as to improve themselves. In Wenzhou, there are three quite influential grass-root organizations: Green Eyes of China, Emergency Rescue One and One (EROO) and Root of Happiness. Green Eyes of China is an environmental protection organization dedicated to the support of wild life protection law enforcement, endangered animal relief, public propaganda and education, natural habitat conservation and other public welfare projects. It has won such awards as Ford Conservation and Environmental Grants, China and National Award for Outstanding Collectives and Individuals in Protection of Mother Rivers. Emergency Rescue One & One (EROO) is a relief organization with a water-land-air rescue team and strong capacity for resource integration and

sustainable development. It was once awarded the China Charity Award. Root of Happiness is a professional social work services agency which is active on Dongtou Island in Wenzhou. Born in the 1980s, Fang Minghe, Zhang Binggou and Lin Jiashuai are the leaders of these three grass-root public welfare organizations respectively. Though with totally different life experience, they all influence and lead a large number of young people around them with their dedication to and enthusiasm for the public welfare cause. They are plunging themselves to the cause of public welfare in pursuits of their dreams. They regard realization of public welfare as their life objective and NGOs as the platform to fulfill their career goals. The emergence of such a group of public welfare leaders has brought about hopes for the further development of NGOs in Wenzhou.

2 Characteristics of Wenzhou

In our investigations, we have found that, compared with other places, Wenzhou not only has innovations and explorations in its reform and development of NGOs, but also underscores its unique local characteristics.

1. Democratic election

Appeals for democracy are resulted from the development of society. Wenzhou people have taken the lead in directly electing leaders for grass-root community NGOs. This has provided a platform for community residents to get extensive involvement in social affairs and develop a mechanism for self-expression and communication. Once given the opportunities to express, communicate and act on their own initiatives, those NGO leaders who are good at management will surely stand out from the crowd. “NGO democratic election has motivated people’s enthusiasm for participating in NGOs and management of community public affairs, and elected NGO leaders can win the general trust of people, so they are highly active in their work.” says Wang Ajuan, Director of Baxianlou Community, Wuma Street, Lucheng District.

“Better to be a rooster’s head than a cow’s rump” is the intrinsic thinking of many bosses in Wenzhou. “Starting up one’s own business” seems to have been instilled into the marrows of Wenzhou people. The strong entrepreneurial atmosphere in Wenzhou has created a large number of leading figures with the emotion of public welfare. They regard public welfare as their life-long careers, devoting all their efforts to and spending all their money on these causes. They even convince all of their family members, relatives and friends to engage in practical innovations in public welfare. This has enabled public welfare innovations to become professional and specialized, and thus boosting the formation of a social ethos which takes pride in starting up entities for public welfare. In this sense, NGO development in Wenzhou is more vigorous and promising.

2. Benign ecology

Wenzhou has a cultural tradition of doing charity. For example, offering free tea and porridge is a street culture that has been embraced and extolled by Wenzhou people over thousands of years. Even during the “Cultural Revolution”, cool tea in summer or hot porridge in winter will provided free of charge to pedestrians who get thirsty or tired on a Wenzhou street. This custom has become an integral part of Wenzhou people’s living habits. Just like a “chain of love”, it helps pass down the philanthropic-minded spirit of Wenzhou people through generations.

Owing to the unique geographical position and historical tradition of Wenzhou, residents grown up here also have the bosom as open and inclusive as the East China Sea. When Wenzhou people get together, they will care about each other’s strengths rather than weakness, think how to improve oneself by learning from others rather than contending or deceiving each other, and cooperate for win-win results rather than scheming against each other. Therefore, Wenzhou people seem to be better at joining forces and forming associations so as to weave an exceptionally huge social capital network. Then, they can better resolve social conflicts and coordinate social relations through NGOs, thus fostering a benign ecology among NGOs.

3. Emulating those better than oneself

In Wenzhou, the benign ecology of NGOs is also manifested by the common practice of emulating those better than oneself by learning from them and readily following well-intentioned advice. When finding advanced experience in other places, Wenzhou people will neither feel ashamed of their inadequacy nor show conceit for their strengths; instead, they will simply take over those experience to their advantages, carry out reforms and innovations in the light of actual conditions and endeavor to excel them. After visiting and learning from Meiguili Community, Xindian District, Xinbei City, Taiwan, Baxianlou Community in Lucheng District proceeded from their local conditions and lost no time in relaxing control on cultivation and development of community-level NGOs. It also made active efforts to promote democratic election of leaders for community-level NGOs without any candidates appointed in advance and mobilize and attract community residents to participate in various community activities. After less than one year’s practice, NGOs in Baxianlou Community have made substantial progress in such aspects as quantity, activities, influences and cross-domain cooperation. Their community counterparts were greatly glad and surprised on their return visits.

3 Institutional Advantage

The reform and development of NGOs in Wenzhou cannot be achieved without the correct leadership, bold innovations and active guidance by the local Party committee and government.

1. Ceding space

Officials in Wenzhou often describe their governing idea as “governing by not doing anything that goes against nature”. Journalists and scholars also comment officials in Wenzhou as “letting things run their courses”, “governing by not doing anything that goes against nature” and “imposing no limits”. During a given stage of development, the government also helps create a kind of environment by “doing nothing that goes against nature”. In such an environment, the government cedes space for the market and the society, and allows subjects in the market and the society to explore, organize and manage on their own. Facts have proven that the policy of “governing by not doing anything that goes against nature” adopted by Wenzhou government during the 1980s have had positive effects on the market economy. Now, by adopting the policy of “imposing no limits” on social construction, the government likewise creates a relatively free atmosphere by ceding space for NGOs to make innovations and explorations. The Green Eyes of China, EROO in Cangnan County, the Owners’ Assembly later born in Lucheng District, and many other grass-root NGOs are born out of the spontaneous and endogenic initiatives of Wenzhou people. They make bold innovations and try to adapt these organizations to the local conditions. These organizations cannot survive and grow in Wenzhou without the efforts of the local governments. Instead of taking a suspicious and indifferent attitude and imposing various restrictions, they show enthusiastic concerns, endeavor to cede space, actively help these organizations to solve difficulties, and make explorations at registration, so as to enable grass-root social innovations to take roots, blossom and develop in a sustainable manner.

2. Providing support

As many NGOs in their initial periods are small in scale, have inadequate funds and an imperfect management structure, Wenzhou governments at all levels have taken some active measures to cultivate NGOs and support their developments. Over the recent years, all districts and counties in Wenzhou have successively set up various kinds of public welfare service centers, support centers and community-level NGO development foundations. Through these moves, they explore to provide free of charge business offices to new-founded NGOs, build information platforms free of charge and carry out professional training for staff in NGOs through various forms. In line with the requirements of the 18th National Congress of the CPC and the Plans on the Institutional Reform of the State Council, and with reference to the experience in Shanghai and Guangdong, Wenzhou is recently stepping up efforts to transfer government functions, allow NGOs to participate in public services in more fields and on a wider scope, and intensify the purchasing of services by the government, so as to explore the possibility of having a deeper cooperation between the government and NGOs on wider ranges.

3. Top-level design

The development of NGOs in Wenzhou cannot do without top-level designs and institutional arrangements duly made by the local Party committee and government

from a strategic perspective. After the National People's Congress adopted the plans on transformation of government functions and acceleration of social structural reforms, Wenzhou lost no time in publishing a package of 1 + 7 series documents *Opinions Concerning Acceleration of Cultivation and Development of NGOs*, pointing out the direction for innovative development of NGOs. The following are some measures in these documents: for four categories of NGOs, namely, public charity, social welfare, social services and grass-root community, reduce the registration funds to "zero threshold" and allow them to directly apply for registration with relevant authorities; allow moderate competition, and explore the mechanisms of multiple associations for one industry and at one place; confirm the asset ownership of schools, medical institutions, elderly care institutions that have been registered as non-governmental enterprises; transfer functions to NGOs in such forms as authorization and delegation, public services purchasing; establish hub-type NGOs, and build platforms for cultivation of, services for and communication with NGOs by setting up such organizations as NGO service centers, NGO promotion associations, NGO development foundations, neighborhood central guidance stations and neighborhood centers; and establish a normal mechanism for commendation and awarding of NGOs. These institutional designs have brought the much-needed policies to the NGOs in Wenzhou, gently nurturing them like spring drizzles and helping them to flourish in the near future.

4. Reform and innovation

In Wenzhou, the government is also subjects of innovations. In each development stage of NGOs in Wenzhou, evidences are visible that the registration authorities have made reform and innovations in systems, policies, mechanisms and even concepts. Last November, of all the prefecture-level cities in China, Wenzhou took the lead in canceling the competent business units for four categories of NGOs and generally adopted a policy of direct registration; given that NGOs lack original funds for registration, Wenzhou becomes the first nationwide to set "zero-fund threshold" for all directly registered NGOs; given that private non-enterprise units usually develop slowly due to limited amount of investment, Wenzhou make bold trials in reforms that allow "reasonable returns" based on a clearly defined property ownership; along with the practice of "converting villages into communities" to integrate urban and rural development, Wenzhou also rolled out many new measures to promote reform of residents' committee and strengthen residents' autonomy. By taking the opportunities granted by the Ministry of Civil Affairs and local governments to make pilot projects in reform, Wenzhou is exploring many more innovative measures.

4 Opportunities and Challenges

As a forerunner in social management innovations, Wenzhou has made numerous explorations. There are opportunities and also challenges.

Today, reform and innovation is the biggest opportunity and also the biggest challenge for Wenzhou.

In the context of stepping up efforts to promote social structural reforms, the advantages of Wenzhou in making pilot projects in reform need to be transformed into institutional advantages and even systematic advantages. The 18th National Congress of the CPC made it clear to basically establish a “modern NGO system” in the coming five years, is it possible to be first established in Wenzhou? Given that Beijing and Guangdong Province successively met with institutional dilemmas in their experiments with the system of Social Work Committee, can Wenzhou stride a bigger step forward by building a new system for reform and development of NGOs which focuses more on strategic planning, comprehensive coordination and unified supervision? Endowed with the geographical advantage of adjoining Taiwan and the flexible and innovative Wenzhou spirit, can Wenzhou take bold measures in social construction, blazing an innovative path by drawing on Taiwan experience? We are expecting that, in the new round of reform tide to step up efforts to promote social structural reform, Wenzhou people who dare to be the first can keep improving themselves by learning from previous practices, act with more bravery, and exploit their courage and wisdom to carry out reform and innovation, so as to create Wenzhou experience with more innovative significance in social construction.

Part III
Suggestions and Recommendations

Chapter 14

Recommendations on Enactment of Basic Laws Concerning NGOs

Ming Wang

Since reform and opening up, NGOs in China have made great progresses, becoming more and more important and playing an increasingly important role in social construction and social governance. The development of NGOs not only needs arouse the high attention of the Party and government, motivate independent social forces to get wider involvement, but also needs corresponding institutional construction. Under the background of running the country in accordance with the law and building a rule-of-law China, legal construction has an important significance for the development of NGOs. Legal systems have crucial functions in demarcating the boundary between the government and the society, creating a liberal environment for the development of NGOs and promoting the development of NGOs in conformity with relevant standards. At present, though the legal system for the development and regulation of NGOs is in continuous improvement, the pace of legal system construction cannot catch up with that of either the development of NGOs, or the overall advance of deepening reform in all aspects, or the basic appeals of the public for social development. To make matters worse, incompatibility among these aspects stands out gradually and becomes more and more obviously, therefore efforts must be made to speed up the construction of relevant legal systems.

According to incomplete statistics, as of the end of 2013, the number of NGOs registered at departments of civil affairs at all levels has exceeded 500,000. Together with NGOs on file and those that, though not registered with the departments of civil affairs, have won the recognition of the Party and government agencies at all levels through various forms and are actually conducting activities, the total number will be at least 5–7 times that of registered NGOs. Besides, China has around 1.3 million public institutions at all levels and of various kinds, which

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create over 30 million jobs. A great majority of them should fall into the category of NGOs in the narrow sense.

The existence and development of NGOs have great significance for and effects on comprehensively deepening reform. It is mainly reflected in the following four aspects: first, NGOs can improve the organizational level of the entire society. They have become the dominant provider of multifarious social services and even public services and dominant forces in philanthropy, playing a decisive role in maintaining the harmony of the entire society; second, NGOs and private economy have become representatives of emerging social forces after reform and opening up, constituting the two wings of socialist economic construction and social construction. Both of them play a crucial role in reform and opening up and the overall transformation of the society; third, NGOs have increasingly become the vital forces in innovating social governance modes, playing a principal role in social construction and social structural reform. They not only help boost the transformation of government functions and reform of governance system, but also promote reform of public institutions and reform of people's organizations; fourth, as a subject participating in community-level social governance in urban and rural areas, NGOs create conditions for citizens to participate in politics in an orderly manner, thus improving community-level democracy and governance in urban and rural areas.

With the flourishing of NGOs, China is also pushing forward with legal construction to regulate NGOs. Since the 1980s, the State Council has on several occasions rolled out important regulations concerning foundations, NGOs, and private non-enterprise units and established a registration and management system whose principal component are departments of civil affairs at all levels. Over recent years, revision of relevant regulations is also accelerated. However, it must be noticed that: in contrast with the flourishing of NGOs, China's existing institutional construction, including relevant laws and regulations, has serious problems. Such problems are mainly reflected in three aspects: first, the legal system is not complete, with only specific regulations concerning the registration and management of NGOs of different kinds and no basic laws concerning NGOs under the Constitution. Therefore, it is impossible to impose unified regulations on many general issues concerning NGOs, such as citizens establishing NGOs, the legal status of NGOs, and the internal governance of NGOs. This has limited people's cognition, restricted NGOs from playing their due functions and also affected the transformation of government governance modes; second, the legal status is too low. Relevant institutional standards are mainly limited to administrative regulations and sometimes even departmental rules. Moreover, since the majority of them are only formulated by relevant departments, these laws, regulations and policies are ill-connected, ill-matched and sometimes even in conflict with each other. This has influenced the orientation of NGOs and the government's efforts to manage them in conformity with general rules; third, the legal authority is inadequate. The institutional arrangements put more emphasis on registration and restriction and less on supervision and development. As a result, a large number of NGOs opt to circumvent relevant laws and regulations. Furthermore, no changes to ill-conceived laws and lack of strictness in law enforcement have made it a common practice for

NGO not to follow existing laws. So to speak, the existing legal system has become bottlenecks restricting the healthy and proper development of NGOs. To change such a situation, it is necessary to revise and improve existing laws and regulations as soon as possible, and also to speed up the formulation of basic laws concerning NGOs and other important new legal systems.

In view of the above, it is suggested that the National People's Congress include basic laws concerning NGOs into its legislative plan and start work on the legislative investigation for and drafting of basic laws concerning NGOs as early as possible. The detailed suggestions are as follows:

(I) Establishing the fundamental position of basic laws concerning NGOs on the basis of a modern NGO system.

Endeavoring to establish a modern NGO system is the main objective for promoting social structural reform since the 18th National Congress of the CPC. So the legislative purpose and positioning of basic laws concerning NGOs should be based on the practical reform of a modern NGO system.

Separation of government administration and NGO management, well-defined functions and responsibility as well as self-governance according to law is three major premises for establishing a modern NGO system. As far as legal system construction is concerned, three aspects of legal systems need to be constructed and improved. First concerns the legal system concerning separation of government administration and NGO management. To this end, we should specify in steps the boundary of government functions, meantime, we should legally regulate and safeguard the basic functions, organizational legality, governance structure, operating and management rules and other aspects of NGOs; second comes the legal system concerning the relationship between the state and the society. We should institutionally ensure that an equal cooperative relationship can be developed and corresponding interaction and consultation mechanisms can be established between the state and the society, especially among NGOs themselves; third is the legal system concerning social self-governance. We should legally protect citizens' freedom to form associations as prescribed in the Constitution, expressly uphold NGOs' dominant role in social governance, and allow NGOs to promote social self-governance in accordance with law. As an integral part of the legal system for modern NGOs, the basic laws concerning NGOs should not simply be an upgrade of the existing three administrative regulations, possibly by "extracting their common factors" only. Instead, NGOs should be repositioned in terms of value appeals, institutional concepts and standard architecture on the basis of a modern NGO system. In summary, such basic laws concerning NGOs should underscore the perceptions of modern Chinese society and the imaginative powers of the modern NGO system.

(II) Comprehensively summing up existing experience in relevant legislation and making in-depth study of the basic structure of basic laws concerning NGOs.

About the drafting of basic laws concerning NGOs, the State Council once authorized the Ministry of Civil Affairs to be in charge of drawing up a draft law at the late 1980s and the early 1990s. In addition, relevant research institutions such as Chinese Academy of Social Sciences, Tsinghua University and Peking University also drafted expert proposals for basic laws concerning NGOs. A comparison of the existing draft law and expert proposals may reveal that there are major differences in such aspects as objective, structure, and contents of basic laws concerning NGOs. This requires legislative departments concerned to make a comprehensive summary of experience in existing draft law and expert proposals, and conduct in-depth research of the orientation and functions of basic laws concerning NGOs with our overall strategy of social reform and social governance modernization in mind, so as to draw up a scientific and reasonable framework for basic laws concerning NGOs.

(III) Adopting separate legislation and comprehensive legislation, and paying attention to participation and consultation during legislation.

In forms, basic laws concerning NGOs should adopt both separate legislation and comprehensive legislation. In view of the development scale of NGOs, the role of NGOs in modern society has determined that legislations attached to civil laws would be difficult to meet the development needs of NGOs' regulations. Also civil laws which contain basic laws concerning NGOs tend to be overly cumbersome. So, most of recent legislations combine organizational law and regulatory law, such as the company law. The mode of mixed legislation is conducive to protecting the rights and obligations of social subjects and also to demarcating the boundary between government departments and regulating their management behaviors.

Basic laws concerning NGOs belong to laws in the social field. Therefore, during the legislative process, we should discard the old practice of enacting laws by departments, and absorb and involve NGOs and other social forces, so as to improve the social recognition and technical level of such legislations.

(IV) Paying attention to the completeness of basic laws and strengthening relevant construction to match other laws.

In terms of contents, basic laws concerning NGOs should mainly include three basic aspects: first is citizens' freedom to define the rights and obligations of NGOs; second is the rights and internal governance criterion of NGOs; third is the principle and mechanism with which the government supervises NGOs and the manner in which the society independently manages NGOs.

With the formulation of basic laws concerning NGOs, other relevant laws and regulations should also be duly revised. Meanwhile, basic laws concerning NGOs should be formulated in consideration of relevant laws and regulations concerning reform of public institutions, reform of government agencies and even political reform, so as to avoid any incompatibility in legislation.

(V) Emphasizing the new relationship between the government and the society and paying attention to risk control in the process of operation.

From the perspective of operating mechanism of basic laws concerning NGOs, in addition to the rigid operating mechanism of conventional laws and regulations, more concepts and mechanisms for modern governance such as consultation, contract and participation should also be introduced. This requires that the future operation of basic laws should break away from such intrinsic mindsets as either in a bottom-up order or in a top-down order or a combination of the two, and, in more cases, adopt non-compulsory and non-mandatory means that emphasize horizontal alliances. New concepts and mechanisms should have the following two characteristics: first, they should reflect the equal relationship between the government and NGOs. The government no longer acts as the supervisor of NGOs in a commanding status, instead, it should, with the objective of “a service-oriented government” in mind, make efforts to build an equal cooperative relationship with NGOs, and form a new relationship featuring multi-party participation and synergistic coordination through such means as consultation and contracts; second, they should lay their focus on controlling risks in the operation of new laws. Instead of continuing to get entangled in supervising microscopic affairs of NGOs, the government should gradually shift its focus to the control of political and social risks that might occur during the process of developing NGOs and solving social problems. It should also change its past antagonistic or even hostile attitudes in managing NGOs and gradually explore new thinking and mechanisms for behavioral supervision and process supervision of NGOs by properly controlling risks.

Chapter 15

Policy Recommendations on Construction of Professional Careers for NGO-Related Talents

Ming Wang

It is expressly stated in *China's Medium- and Long-Term Talent Development Plan* that development of NGO-related talents should be included in the talent development plans of governments at all levels. The construction of a professional talent team is an important work for NGO capacity building, and also an essential guarantee for stimulating the vitality of NGOs. Accelerating the construction of reasonably-structured NGO-related professional talent team with sufficient high-quality members holds great strategic significance not only to the development of NGOs themselves, but also to the social construction, social governance as a whole and even to the drive of comprehensively deepening reform. In view of the problems and characteristics of NGO-related professional talent teams in China, and in accordance with relevant policies, it is suggested in this proposal to step up efforts to establish a complete series of NGO-related professional careers, so as to improve the ability of NGOs to provide professional services and better leverage the role of NGOs in social governance and social construction.

With the flourishing of NGOs, demands for professional talents have become increasingly diversified. Different talent teams within NGOs have also began to concentrate on different fields, breeding many new categories of occupations. Therefore, the establishment of a complete series of professional careers needs to be considered in the light of NGO's demands for the development of professional talents. New categories of occupations should be gradually added, so as to speed up the process of NGO talent teams becoming more professional and working on full-time basis. Since September 2006, China has begun to introduce the professional talents evaluation system for professional and technical personnel who are engaged in professional social services in NGOs and other social service agencies. This system has also now been part of the national occupational qualification certificate system for professional and technical personnel and will be planned as a

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whole. In 2008, social workers and associate social workers were officially included in the national professional careers. This move not only provides a new channel for employees working in NGOs to acquire professional qualification certificates and improve their professional qualities, but also helps improve the professional level of NGO-related talent teams. At present, China has preliminarily established a NGO-related talent evaluation system which focuses on professional qualification of talent teams in social work.

In spite of this, compared with the pace of NGO development and its demands for professional talents, the professionalism construction of NGO-related professional talents in China not only lags far behind, but also has many prominent problems: first, the professional accreditation system is weak and the professional title structure is unreasonable. For this reason, a great number of professional personnel in NGOs are yet to be included in the occupational system and the professional title system. With the exception of the professional accreditation system for social workers, currently, we have not established other professional accreditation systems and corresponding professional title systems for NGO-related professional talents. In particular, the absence of professional titles for NGOs themselves has made it impossible for a large number of professional personnel working in NGOs to enter corresponding occupational system and professional and technical title evaluation system; second, channels for professional title appraisal of NGO-related professional talents are not smooth. NGO-related professional and technical personnel must apply for appraisal of professional titles in other fields and are restricted by such factors as the nature of their employer, household registration, archives and identity. The complicated procedures and obstructed channels have restricted the growth of NGO-related high-end talents; third, due to the absence of proper professional careers and professional titles, NGOs are plagued by irregular personnel system, unfair employee treatment and unfair salary and welfare. Moreover, employees in NGOs are influenced in household registration, archives and other aspects. All these have restricted the development of NGO-related professional talent teams; fourth, the channels for flow of NGO-related talents are not smooth, subject to various restrictions, and there are few development platforms and promotion space.

With respect to the above-mentioned issues, I hereby put forward the following policy recommendations for accelerating the establishment of a complete professional system for NGO-related professional talents.

1 First, Establish a Sound Professional System for NGO-Related Talents

We should further improve our work in the professional qualification examination and appraisal of social workers, step up efforts to work out professional level evaluation methods and rules for social workers and advanced social workers, and

conduct professional qualification examination and appraisal for social workers and advanced social workers, so as to form a professional level evaluation system for professional talents in social work. Such an evaluation system features appropriate connection between junior, intermediary and advanced social workers; we should move faster in introducing professional qualification examination and appraisal system for membership managers and fundraisers, and further specify the examination contents, examination methods, cultivation system, qualification appraisal methods for membership managers and fundraisers; based on scientific demonstration and practical testing, we should strive to gradually include NGO managers and project managers into *National Occupational Classification Codes* and keep developing new professional careers.

2 Second, Establish Professional Titles for NGO-Related Professional Personnel

Professional titles for NGO professional personnel are not only a recognition of the capabilities of NGO-related professional and technical personnel, but also an indicator of the grades of their professional techniques or academic achievements. To this end, it is necessary to include talents with professional level certificates into the management scope of professional and technical personnel by connecting the professional qualification appraisal and the professional and technical position management system. We should encourage employers to engage talents with professional level certificates based on their work requirements. Moreover, we should ensure that channels for appraisal of NGO-related professional titles are smooth so that professional titles are appraised under the same conditions and mutually recognizable among state-owned enterprises, non-public enterprises, NGOs and public institutions.

3 Third, Improve the Evaluation Mechanism for NGO-Related Talents

We should work out regulations concerning NGO-related talent appraisal and corresponding specific rules for implementation, and set out appropriate evaluation criterion, so as to ensure that the evaluation is proceeded in accordance with recognized standards and in a healthy manner; we should set up a team of high-quality NGO-related talent evaluators, improve the cultivation of NGO-related special talents through universities, colleges, and research institutions, conduct academic exchange, experience sharing, business training and other activities, and create favorable conditions for enhancing the evaluation levels; we should strengthen the construction of evaluation approaches. Social and economic development has raised

new requirements for the cultivation of NGO-related talents. In line with such requirements, we have conducted constant research into basic theories and methodologies for talent evaluation, and built evaluation information system and expert database, so as to make full use of and innovate existing evaluation tools and methods.

4 Fourth, Improve the System Guarantee for NGO-Related Talents

Proceeding from our “people-centered” principle, we should promote legislation concerning NGO-related talent professional construction, gradually establish a sound NGO-related personnel policy legal system in which laws and regulations, departmental regulations and policy documents are well-matched. Through such a system, various legitimate rights and interests of NGO-related talents can be safeguarded and maintained; we should establish and improve policy systems concerning such aspects as household registration management, social insurance, performance evaluation, and labor contracts for talents working in NGOs as well as specific supporting measures for the professional careers, so as to reinforce the institutional infrastructure; we should urge NGOs to adopt the management system for modern enterprises, establish such mechanisms as employee wage negotiation system and employee representative assembly system for maintaining and safeguarding employee’s interests, so as to ensure the stability of NGO-related talent teams.

Chapter 16

Policy Recommendations on Construction of NGO Talent Cultivation System

Ming Wang

Strengthening talent construction is one of the momentous moves to implement the Scientific Outlook on Development and better implement the strategy of reinvigorating the country through talents. NGO-related talents are an essential part of China's talent teams. It is stated in *China's Medium- and Long-Term Talent Development Plan* that "policies will be implemented to encourage the development of non-public ownership economic organizations and new NGO-related talents" and "the development of non-public ownership economic organizations and new NGO talents will be included into the talent development plans of governments at all levels. Opinions will be formulated to strengthen non-public ownership economic organizations and new NGO talent teams". In view of the status quo of and major problems in China's NGO-related talent cultivation at the current stage, and with reference to the core ideas and key points of the Plans on Talent Development, the author puts forward several policy recommendations in this proposal, with the aim of establishing a sound NGO-related talent cultivation system.

After more than three decades of development since reform and opening up, the past decade in particular, China's NGOs have gradually proceeded from the initial period to a relatively mature new period of stable development. NGOs have begun to assume such functions as serving people's livelihood, expressing public opinion, safeguarding citizens' rights and advocating democracy. As NGOs seek to develop themselves by making innovations in the course of reforms, its organizational and institutional advantages come to manifest themselves. A new pattern for social management innovation and social construction is taking shape. In this new system, NGOs of various kinds are the principal parts. However, China's NGO development is still faced with various restrictions. Among them, the very crux is the lack of a sound, reasonable and sustainable NGO-related talent cultivation system. At present, China's NGO-related talent cultivation system has many prominent

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problems, most of which are manifested in the following three aspects: **first, the diploma-oriented education system for NGO-related majors is yet to be established.** As a conventional talent cultivation mode, diploma-oriented education features long-term effectiveness and wide-ranging influences. At present, there is still no NGO-related majors in the major directories for graduates from higher vocational colleges, or with bachelor degrees or above in the national diploma-oriented education system. There are only several colleges and universities which have set up the division of “NGO management” under the major of “Public Affairs Management” in an attempt to make explorations in the cultivation of NGO-related talents. The multi-tiered talent cultivation system oriented to such degrees as vocational college, bachelor, master and doctor is far from being established; **second, the occupational training system for employees working in NGOs is incomplete.** At present, government departments, educational departments and NGOs, principally the Ministry of Civil Affairs and Ministry of Human Resources and Social Security, colleges, universities and research institutions, and support-type institutions respectively, have preliminarily formed a NGO on-the-job training system, but there still exist many urgent issues to be addressed. Different training subjects are in want of coordinating and docking mechanisms in such aspects as training contents, training time and training methods. There is also no system in place to track, test and evaluate the results of training. This has led to universal duplicate training or ineffective training, and has greatly wasted various resources for NGO-related talent cultivation and training; **third, the channel for NGO-related talents to integrate diploma-oriented education training with on-the-job training has not yet to be established.** The strength of diploma-oriented education is systematic learning of theories, while the strength of on-the-job training is practical exercise. So diploma-oriented education needs to be verified and improved through practice, and on-the-job training cannot be separated from systematic learning of theories. Both of them support and complement each other. Currently, the diploma-oriented education system for NGO-related talents is yet to be established and the corresponding on-the-job training system, though constructed, is irregular. On the whole, a mutually supportive and complementary NGO-related talent cultivation system has not been established.

In view of the aforementioned, I hereby put forward the following policy recommendations to help establish a complete NGO-related talent cultivation system:

(I) Implement the Medium-and Long-Term Plans on NGO-Related Talents

In line with the requirements of *China's Medium-and Long-term Talent Development Plan*, and against the background of reform of NGO management system, we should concentrate on making innovations in systems, mechanisms and policies, so as to foster a moderately-sized outstanding NGO-related talent team with an optimized structure and reasonable layout. We should include NGO-related talents into the overall talent cultivation plans of different places, include these talents into the national professional and technical personnel knowledge renewal projects and national high-skill talents revitalization plans and work out *China's*

Plans on NGO-related Talents Development. Finally, we will strive to form a wide-ranging NGO-related talent network in the coming decade, so as to provide talent guarantee and intellectual guarantee for better leveraging NGO's positive roles in promoting social management innovations..

(II) Set up NGO-Related Majors and Improve Diploma-Oriented Education System

NGO-related talent cultivation is a systematic engineering, and can be realized through multiple approaches. Diploma-oriented education is a conventional talent training mode, and features long duration and systematic knowledge impartment. By revising and improving the *Academic Degree Awarding and Talent Cultivation Discipline List* formulated by the Academic Degree Committee of the State Council and the Ministry of Education, we can set up the second-level major list "NGO management" under the first-level discipline "Public Management" of the category of "Management" in the major setup for bachelor degree education in China's institutes of higher learning, and gradually establish a talent cultivation system which covers different levels such as higher vocational education, bachelor, master and doctor degrees. We should also improve the project-based course system featuring integration of "the post, the course and the certificate". Such course systems will focus on capacity cultivation through basic means of professional teaching and be principally conducted with work requirements in mind.

(III) Regulate and Improve the (NGO) In-service Staff Training System

Besides the diploma-oriented education in colleges and universities, professional training is also an essential and organic part of NGO-related professional talent cultivation. Professional training features short duration and high frequency. Unlike education in institutions of higher learning, agency-centered professional training lays more emphasis on practice, and can meet the needs of relevant personnel working in NGOs in society. It is suggested to gradually regulate and improve the system for training course development and management, training certification, training results management, so as to avoid duplicate training and useless training. Meanwhile, volunteer practice is a salutary supplement to NGO-related specialized talent training. Those who are keen on public welfare programs can realize their ideals for public good through volunteer training, volunteer practice and experience. We should further explore means for management of volunteers and strengthen construction of volunteer bases, so as to enable them to become the cradle for cultivating NGO-related specialized talents.

(IV) Perfect NGO-Related Professional Qualification Certification System, and Promote the Practice of Working with Certificates and Professional Title Appraisal

At present, compared with government agencies, enterprises and public institutions, NGO-related industry has a lower access threshold, employees in the industry have a weaker awareness of their identity, and there is no scientific and standardized

NGO-related qualification appraisal mechanism. These have greatly affected the career development prospects and occupational attraction. It is suggested to further standardize and specify position setup for NGO-related full-time employees, establish the NGO-related professional system, and perfect the further education system for NGO-related talents, so as to better connect professional talent cultivation with professional qualifications. Given that NGO-related occupations such as “fundraisers” and “membership managers” were included in the 2013 version of *National Occupational Classification Codes*, we should further supplement and perfect NGO-related professional qualification certification system. We should also coordinate as soon as possible with relevant departments to promote professional title appraisal for NGO-related talents to enhance NGO-related employees’ professional identity and give preference to those who work with certificates in terms of wage treatment and social welfare. In some NGOs) where conditions are met, we can try to gain some experience by carrying out pilot projects in NGO-related professional title appraisal, in a bid to lay a foundation for nationwide implementation of professional title appraisal for NGOs in the future.

Chapter 17

Policy Recommendations on Promotion of NGOs' Participation in Global Governance

Ming Wang

With the in-depth development of globalization, public issues with global significance have become increasingly salient. China's rise has raised higher requirements for its international strategy to participate in global governance. Therefore, we can include NGO's international strategy into the nation's overall foreign strategy and enable NGOs to have a bigger say in global civil society development and global governance and thus become an important part of China's "soft power". These measures cannot only ensure that NGOs' international appeal to expanding themselves are coordinated with the country's foreign strategy, but also will add a touch of "Chinese color" to the new global governance by injecting Chinese characteristics into the new type of international consensus.

China has adopted a government-dominated foreign strategy and diplomatic policy for a long time. However, we must realize that, with the constant growth of forces in global civil society, NGOs have become an important force influencing global governance in today's world. These international NGOs are influencing worldwide value orientations for public good through their public welfare practice in the international community. Compared with government agencies and enterprises, though the forces of NGOs belong to soft powers, their influence will be long-term and enormous.

Viewed from international experience, NGOs mainly participate in global governance in five ways: first, NGOs participate in various international conferences in their own identity, conduct extensive international communication and express ideas relatively independent from those of the government agencies and enterprises; second, NGOs apply to join the system of United Nations, acquire the "consultative status" and participate in all kinds of global, regional activities and relevant decision-making process in the system of United Nations; third, NGOs base themselves in their own country, and gradually grow into regional and

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international NGOs; fourth, NGOs establish partnerships with international organizations or host countries and get involved in hot issues concerning international affairs, so as to promote the internationalization of NGOs; fifth, NGOs set up different types of projects or administrative offices overseas, and recruit their management talents from the locality.

Based on China's NGOs' past experience in participating in global governance, we can still find restrictions in many aspects such as institution, mechanism, system, environment and self-capability. Under such conditions, NGOs are invariably confronted with all kinds of difficulties and challenges in participating in global governance. The major problems are as follows: first, in ideological concepts, many Chinese NGOs' concept of "going global" is simply out of their narrow-minded nationalism and statism, and fails to integrate China's "national interests" with the "global interests" and the globally accepted public welfare values; second, there is a lack of policy basis. In the three administrative regulations concerning NGOs, non-public enterprise units and foundations, there are no policy basis for NGOs to set up overseas offices or branches; moreover, the approval procedures and ways are incomplete; third, in terms of talent teams, leaders and managers of international NGOs in western countries mainly come from western elite circles, and have strong professional capability and rich practical experience. In comparison, China has a few talents with equivalent competence; fourth, NGOs need intensive capital support to participate in global governance. While China's NGOs get far less financial support for their participation in international affairs than their counterparts in developed western countries; fifth, there is no collective interaction mechanism between NGOs and the government, business and academic circles in China. This will undoubtedly influence further in-depth cooperation between NGOs and government agencies or enterprises on the international level.

To make it easier for China's NGOs to participate in global governance and international public welfare activities, the government must take strong measures to support the development of NGOs in China and guide them in dedicating themselves to global social affairs and public affairs. It should be noted that for NGOs to "go global" is one of the important parts of China's international strategy. Therefore, it is imperative that a national support system be established to help NGOs to participate in global governance and international public welfare activities.

To this end, I propose the following suggestions:

1. Establish a Coordinating and Supporting Mechanism for NGOs to Participate in Global Governance as soon as possible

It is suggested that a national supporting system be established for China to promote NGO's participation in global governance and international public welfare activities, and to work out coordinating and supporting mechanisms. First, from the perspective of long-term development of the country, we should set about enacting legislation concerning NGO's participation in the national foreign-aid efforts as soon as possible, and form a legal foundation for NGOs to implement the strategy of internationalization, so as to ensure that there are relevant laws for NGOs to

comply with in their course of “going global”. For the current period, we may include contents relevant to NGOs’ participation in the national foreign-aid efforts into the *Foreign Aid Management Regulations* that is being drawn up, so that NGOs will have rules to follow in their efforts to participate in national foreign aids. Second, we should establish coordinating agencies for the implementation of the strategy of NGO’s internationalization to coordinate as a whole such specific affairs as are involved in the process of helping NGOs “go global”. We will further establish interactive mechanisms between NGOs and the government, business and academic circles, with government agencies concerned acting as the initiator. We will also set up a cooperative mechanism and an exchange and communications platform for NGOs in China to participate in national foreign-aid efforts, so as to enable government agencies, enterprises, NGOs and the academic circle to take joint actions in global governance and international public welfare activities. Third, we may entrust NGOs with part of government foreign-aid projects in the form of purchasing services, and set aside NGO’s aid special funds or set up NGO’s foreign-aid funds in the overall basket of national foreign aid budgets. In terms of fund management, the government may act as the supervising agency to guarantee the appropriate utilization of the funds and to provide services to NGOs in their efforts to go global. Fourth, we should step up country-based policy research into and top-level designs concerning NGOs participating in the strategy of internationalization and make use of national social sciences funds to support policy and theoretical guidance to NGOs in implementing their strategy of internationalization. Fifth, I suggest the Ministry of Commerce, Ministry of Civil Affairs and Ministry of Finance set up special funds at the central government level to support NGOs that engage themselves in international affairs and overseas aid efforts in setting up overseas offices; I also suggest the State Administration of Foreign Exchange improve work efficiency by simplifying approval procedures for such NGOs in terms of foreign allocation procedures and foreign exchange control.

2. Strengthen Capacity Building of NGOs

It is suggested to take the support of NGOs in participating in global governance as an important part of China’s overall foreign strategy and give support to the capacity building of such NGOs. First, we should standardize the corporate governance structure of NGOs by formulating relevant laws, regulations and policies and strengthening supervisory means. Second, in terms of talent team construction, we should improve the overall qualities of professional personnel. The government can encourage more frequent flow of talents between different departments through some policy-related and institutional guidance, and strive to attract a number of elites from government and business departments to NGOs. It may also strengthen their capacity by carrying out more activities for talent exchange and experience sharing on the international level. Third, in terms of financial support, in addition to the practice of entrusting NGOs with part of government foreign-aid projects as mentioned above, the government may also set up special funds or foundations to support NGOs in participating in global governance, select a batch of outstanding NGOs and allow them to make use of official aids to conduct affairs in international

exchange, humanitarian aid and human resources training and thus gradually expand themselves and gain more experience. Besides, we can also encourage a batch of newly founded private foundations to carry out cooperation in international exchange and public welfare projects, while endeavoring to win over supporting funds from the government.

Establishing a national support system for NGOs to participate in global governance is an approach to enhance the governing capacity of domestic NGOs, but also an opportunity to display to the world China's determination and attitude in performing its responsibilities and obligations as a big country. We should beef up support in policy, capital and other aspects, and play a key role in liaison, coordination, organization and mobilization of relevant parties, so as to enable China's NGOs to participate in global governance and make ever greater contributions to the great cause of rejuvenating the Chinese nation!

Chapter 18

NGO Reform: Recommendations on Deepening Reform of Social Welfare Enterprises

Ming Wang

According to projections, China currently has a total of 85.02 million of disabled persons, approximately accounting for 6.4% of the whole population. The guarantee of life, employment and other rights of the disabled persons has become a major social issue. Since the founding of the People's Republic of China, especially after reform and opening up, China's laws and regulations and policy system concerning disabled persons have continued to get improved, relevant functional departments and service systems have become increasingly sound, and there are more and more diversified organizational forms that are aimed to promote the development of the cause for the disabled. Among them, social welfare enterprises help disabled persons to realize their rights to work and fulfill their self-worth by allocating jobs to them on a concentrated basis. This has played a crucial role in the cause for the disabled. However, over the recent years, with the aggravation of market competition and changes in government preferential policies, living conditions for social welfare enterprises have become all the harsher, and the general development trend is not optimistic.

In China, social welfare enterprises grew out of units for families of servicemen, martyrs and poor people who provide for and help themselves by engaging in production. They were born and evolved in synchronism with the People's Republic of China. As a kind of policy arrangements, social welfare enterprises have played important roles in allocating jobs to the disabled persons, promoting the welfare cause, and driving economic development in their nearly 70 years' development history. Up to now, social welfare enterprises are no more the original production groups. The state's policies towards social welfare enterprises have also undergone several changes. In midst of fierce market competitions, owing to their inaccurate orientation, and unapparent advantages, social welfare enterprises are gradually marginalized by the market, and the overall situation seems all the more

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decadent in recent years. At present, the development predicament faced by social welfare enterprises mainly include: (1) a drastic decrease in number. From the end of 2008 to the end of 2012, the number of China's social welfare enterprises has decreased from 23,780 to 20,232, with an annual decrease of 710; (2) slow overall growth and shrinking functions. From the end of 2008 to the end of 2012, fixed asset investments and profits for social welfare enterprises had been growing at a slow pace, and the number of jobs created for disabled persons, instead of rising, has been on the decline; (3) lack of core competitiveness. There are no advantageous jobs that could fully leverage the characteristics and advantages of disabled persons and further help the disadvantaged groups. Also, there are few core products and innovative trading modes; (4) low degree of marketization and heavy reliance on policies. With a high reliance on policies, social welfare enterprises would find it difficult to get developed once relevant policies are adjusted.

The plight of social welfare enterprises are caused by various factors: first, the impacts from the market economy. Faced with the rapidly-expanding market economy, social welfare enterprises have so heavy historical burdens that they tend to be slow in reaction and are left far behind the hurtling train of the market economy; second, adjustments in government policies. As a product of particular policies, social welfare enterprises rely heavily on policies for their development. So, one particular policy will usually determine the living conditions of a number of social welfare enterprises. At the same time, once the policy is shifted, social welfare enterprises will immediately be confronted with the crises and challenges for existence; third, the inadequate capacities of social welfare enterprises themselves. Social welfare enterprises exist mainly on account of the necessity to solve particular social problems by taking advantage of policies and institutions. An excessive reliance on policies and institutions has invariably restricted their ability to seek professionalized and diversified development paths. As a result, they can hardly develop the core competitiveness and find it difficult to sustain their development in midst of market competitions.

However, we should not lose sight of the fact that a few social welfare enterprises have achieved great success by duly seizing the opportunity of employment for the disabled persons and adapted themselves to the law for development of market economy. In particular, Canyou Software in Shenzhen is one of the most typical examples. At the end of the 20th century, Zheng Weining and several other disabled persons cuddled together and started up "Canyou". After more than a decade of hard work, it has been developed into an enterprise group comprising a dozen of high-tech enterprises, foundations and NGOs. By successfully building a high-end employment and startup platform for thousands of disabled persons, the company has won many honors at home and abroad, including the UK Social Enterprise Awards, and also developed enormous market strengths and capabilities for sustainable development.

What are the points we can learn from the experience of "Canyou"? First, disabled persons can find advantageous jobs for themselves in today's technologically competitive and knowledge-intensive industrial era which centers on mobile Internet technologies. The key lies in how to convert the disadvantages into

advantages and how to pool and leverage the advantages. Second, the development of social welfare enterprises needs the support from the government and the society. The key lies in how to make full use of the resources from all parties concerned while integrating these resources in the hope of fostering core competitiveness. Finally, the key to the successful development of social welfare enterprises lies in taking firm hold of the market. The problem is how to tap into the potential of the people and organizations through market-oriented approaches, and change the mentality of the group and the institutional ecology, thereby stimulating the vitality of social welfare enterprises.

With reference to the experience of “Canyou”, I hereby propose the following suggestions with the purpose of deepening market-oriented reform of social welfare enterprises:

(I) Change the thinking of low-end employment by correcting orientation from a different perspective.

In traditional attitudes towards development of disabled persons, the perspectives of problem and disadvantage held sway, with the attention being fastened onto “the other door” God had shut for the disabled. In the perspectives of problem and disadvantage, the observer sees the problems as the entry point and regards the disadvantages or defects of the disabled as the starting point in their efforts to perceive the disabled and pursue the cause of employment of the disabled. He sets his eyes on the vulnerability of the disabled, and emphasizes the “handicapped” and disadvantageous aspects of them. In their opinion, the disabled are incapable or useless people, problematic individuals that should be helped with. Such perspectives not only influence the judgment and cognition of the public on the disabled population, but also lead to the disabled persons’ lack of confidence on themselves. Worse still, with such perspectives, in ensuring employment of the disabled, the focus is, in most cases, placed on the side of jobs themselves. In contrast, the perspective of advantage lays more emphasis on the other window God opened for them. Proceeding from the self-esteem and self-value of persons, the observer fully realizes that everyone including the disabled has the ability to solve problems by themselves.

In dealing with the issue of the development of social welfare enterprises, we have more reasons to adopt the perspective of advantages. In nature, social welfare enterprises are meant to help disabled persons and other disadvantageous population to find advantageous or even powerful jobs and to bring advantages and resources to the disabled by leveraging the “other window” of them and relying on particular policies. They are a kind of organizational form whereby social welfare enterprises survive and develop themselves through commercial and market-oriented means. Social welfare enterprises not only emphasize their ability to provide welfare services, but also their ability to compete with others and develop themselves, the ability to survive and develop themselves in the market through their own comparative advantages. Therefore, we must change our traditional thinking of low-end employment. By analyzing the comparative advantages

of disabled employees, we can choose and focus on appropriate industries, reform our capabilities of market-oriented operation and build our core competitiveness, so as to create jobs advantageous to the disabled persons.

(II) Make Scientific Classification and Leverage One's Strengths to Work out the Supportive Policy System.

In the disabled group, those with visual, aural and physical disabilities account for 68% of all the disabled persons in China. In the information and digital era, the barriers to their employment are greatly reduced. Their disadvantages have also brought to them such advantages as time availability, concentration of energy and keenness in other organs. These have made it possible for them to hold advantageous jobs. For this purpose, we have to classify social welfare enterprises and work out different support systems for their development according to the product characteristics of the enterprises, the capabilities and advantages of disabled employees in them. First, for social welfare enterprises and disabled persons that possess core capabilities and can compete in the market, we should intensify venture capital investment, support different kinds of disabled persons in starting up businesses with reference to their capabilities and advantages of different disabled persons, so as to improve the capabilities of the disabled persons to develop. Second, roll out scientific and reasonable policy support systems and formulate different policies concerning capacity development, financial support and service purchasing with respect to different social welfare enterprises. Third, work out different preferential taxation systems for social welfare enterprises believed to possess market competitiveness according to their abilities to make profits, and proportion of profit allocation. Fourth, improve and reform the financial support modes for social welfare enterprises believed to possess market competitiveness and reinforce their own competitive awareness and competitive capability through such means as service purchasing, venture philanthropy and financial aids.

(III) Assign More Rights and Functions to Improve Capacity for Market Operation through Innovative Modes.

The Third Plenary Session of the 18th National Congress of the CPC expressly states that the market should be allowed to play a decisive role in resource allocation. This means that social welfare enterprises are facing increasingly greater competition pressure and must be assigned more rights and functions so as to improve their level of marketization and core competitiveness. For this end, we have to take the following measures: first, based on classifications of social welfare enterprises, work out corresponding plans to enhance the capabilities of social welfare enterprises, and constantly improve their own capacity through talent cultivation, information utilization, technologies and other approaches; second, introduce social enterprise development modes from foreign countries, including Hong Kong and Taiwan region of China, so as to promote the transformation of social welfare enterprises into social enterprises and help social welfare enterprises to improve their marketization capabilities. Such organizations of social enterprises

assume such features as efficiency, professionalism and flexibility which are typical of commercial organizations, and also aim at resolving social problems and realizing social value. They can not only ensure the sustainable development of themselves, but also positively participate in the process of social development. Compared with traditional social welfare enterprises, social enterprises are more flexible in market, and can combine social objectives and market objectives. They can develop their own competitive strength by developing their strong points, avoiding their weak points and accumulating their advantages. For social welfare enterprises that have the required capabilities and conditions, we should provide capacity building resources to help them transform into social enterprises. We should convert their pursuit of social objectives into competitive advantages, so as to fully fulfill the social value of social welfare enterprises and increase their social investment returns; third, optimize and reorganize social welfare enterprises. With reference to the mode of reform of state-owned enterprises, we can consider category-based reform of social welfare enterprises: some of them will continue to exist, some will have their quality assets reorganized, and still some will have their elite talents and quality assets allied; fourth, introduce social value investment, attract social capital, and upgrade social welfare enterprises in capital, technology and concept through venture philanthropy and even venture capital.

(IV) Separate Functions and Incorporate Missions to Establish Performance Evaluation System.

For social welfare enterprises, we should effectively separate their traditional welfare function from their market operation function. With different organizations providing welfare services in different organizational patterns, we can ensure the organic integration of the welfare functions of NGOs and the market operation functions of social welfare enterprises on the basis of separation of the two. Meanwhile, social welfare enterprises can fully integrate their social missions of guaranteeing employment and development of disabled persons into the market-oriented operations, innovate operating modes, such as making full use of venture philanthropy, value investment and other social capitals, and help foster moral consumption and other consumption ideas and modes.

First, we should make scientific classification of social welfare enterprises, and introduce competition mechanisms to strengthen their abilities to adapt to the market. On the basis of valuing investment returns, including returns from monetary investment and returns from social capital, we can establish a scientific and reasonable performance evaluation system for social welfare enterprises. The performance evaluation of social welfare enterprises is not only different from that of an enterprise, which focuses on profitability, asset quality, debt risk and operation and growth, but also different from that of a government, which focuses on economic indicators, efficiency, effects, administrative capacities, and fairness. Therefore, for those social welfare enterprises with core competitiveness, which can exist and develop independently in the market economy and can be defined as a social enterprise according to relevant standards, we can design a performance

evaluation system with reference to social investment return tools prevailing in the international society. Under such evaluation systems, value is the core, relevant stakeholders are the principal participants, while the social, environmental and economic achievements brought by social welfare enterprises are measured with certain indicator systems and presented with monetary values. In this way, we can not only change the neglected, murky or even prejudiced status quo of social welfare enterprises, but also help social welfare enterprises to truly win over social recognition and realize their self-value through performance evaluations.

Chapter 19

NGO Innovations: Conceptions and Recommendations on Bank of Public Interests

Ming Wang

The Third Plenary Session of the 18th National Congress of the CPC expressly put forward to encourage financial innovations and develop non-governmental banks. Over a long time, foundations in China have neither got any explicit recognition, nor regulation for their financial activities. Therefore, their modes for risk control and earnings are restricted within the bounds of relaxation and restriction. For a long time, there are many problems with social welfare enterprises, such as unclear definitions of the nature of financial institutions, obscure rules for foundations that engage in financial activities and incomplete ecological chain in public fields. With respect to such problems, the author has, in accordance with the spirit of the Third Plenary Session of the 18th National Congress of the CPC, put forward several policy recommendations for promoting venture philanthropy and encouraging explorations for banks of public interests, so as to address problems that might affect the development ecology of public organizations, foundations in particular, and the development of venture philanthropy.

Since the reform and opening up, especially the past decade or so, philanthropy has flourished in China. The number of participating subjects has substantially increased, philanthropic resources have considerably accumulated and there are more innovations in welfare activities. There are increasingly obvious improvements in institutional and policy levels, such as unified direct registration, tax reduction or exemption for donations, and government purchasing services. China's philanthropy has undergone a gradual transition from the starting period to the leapfrog period. In this process, there are three factors which are playing an increasingly salient role in restricting the development of philanthropy. The first

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factor is inadequate supply of institutions. Relevant laws and regulations are lagging behind, management rules and standards are incomplete and not unified, and there are shortages in public services. The second factor is inadequate innovative capabilities. In terms of organization, projects or activities, innovative abilities are weak, professional teams are inadequate, and organizational credibility is low. The third factor is unfavorable ecology for public good. The industrial chain for public good has yet to be established, organizations and projects are in a discrete state, the support system is missing and social capital and public ethics are generally insufficient. These problems are manifested in a scarcity of both talents and funds in philanthropic fields. In terms of funds, with constant growth in China's economy, the potential resources for public good keep increasing. However, as of result of scarcity of fund-raising talents, inadequate capabilities of public welfare organizations, incomplete chains for public welfare industry, and the plight of financing for public welfare, the potential resources of the public welfare cause fail to be fully utilized. For example, problems with financing of public welfare field in China include an unreasonable financing structure, insufficient fund operating capabilities for public welfare organizations, difficulty in increasing values of idle funds and inadequate utilization of new financing means.

In the tides of social innovation and welfare innovation, new types of public welfare modes present themselves in response to the above-mentioned problems, and venture philanthropy is among one of them. The concept of "venture philanthropy" is to apply the concept of "venture capital" or "entrepreneurial investment". The emergence of venture philanthropy marks the birth of a new type of philanthropic partnership. The investment subjects of venture philanthropy can be government agencies, enterprises and foundations, or individuals. In terms of operating modes, venture philanthropy is similar to commercial investment behaviors, and its intrinsic difference from commercial investments lies in that its investment objective is not to seek profits; instead of taking maximization of profits as its ultimate goal, venture philanthropy should value both investment returns and philanthropic goals. Over the recent years, the practice of venture philanthropy has begun to rise in various places. Foundations which bear the attributes of financial institutions also get active involvement in venture philanthropy. For example, Guangdong Provincial Government launched the "Jisi Philanthropy...Happy Guangdong" Women-Supporting Schemes in alliance with the Li Ka Shing Foundation (LKSF); the Foundation for Balancing Urban and Rural Development of Sichuan Province set up the Hony Venture Philanthropy Special Fund in support of philanthropy and balanced urban and rural development. YouChange China Social Entrepreneur Foundation unites with the Climate Group and Green China Lab to set up a social value investment foundation.

However, the rapid development of venture philanthropy in China is influenced by system, mechanism, and institutional environment. Moreover, due to their short

history in venture philanthropy, various participating subjects have limited experience and capabilities. Therefore, there are still many prominent problems, mainly include the following: first, in venture philanthropy, the dominant positions of NGOs, foundations in particular, fail to be highlighted. In venture philanthropic activities conducted at various places, though most of local governments usually opt to entrust with or work with NGOs to conduct venture philanthropy, there are still too much administrative dominance. This is particularly manifested in inadequate social participations in venture philanthropy; second, the closed nature of the fund sources of venture philanthropy also leads to inadequacy in innovations of new types of carriers for venture philanthropy. With the exception of part of venture philanthropic activities conducted by foundations and enterprises, the government relies heavily on public welfare funds from welfare lottery tickets sold by departments of civil affairs at various levels with which it participates in venture philanthropy. While the relevant regulations concerning public welfare funds from welfare lottery tickets also strictly restrict the investment orientation, application scope and application methods of venture philanthropy. The closed nature has determined that the government must include venture philanthropy into its own scope of control. This has undoubtedly posed a major obstacle to the establishment of a new type of venture philanthropy; third, the variation in venture philanthropy. In venture philanthropy dominated by the government, the expenditure of funds will normally be free of charge. Venture philanthropy usually combines all kinds of investment tools, and is accompanied by clear and sound exit plans. In this way, the scope for support targets can be effectively broadened and the time for support be extended. Therefore, the design of the exit mechanism is vital for venture philanthropy. While in practice, many local governments in China universally adopt gratuitous means of cash endowment in venture philanthropic activities, and seldom utilize other social investment tools, not to mention to establish a corresponding exit mechanism. Fourth, excessive emphasis is placed on the open-loop of social ecology in venture philanthropy without adequate attention to the closed-loop of the social ecology in venture philanthropy. By excessive emphasis on the open-loop of the social ecology in venture philanthropy, we mean that excessive emphasis has been laid on utilization of external forces and resources, while inadequate emphasis has been laid on the formation of the closed-loop of venture philanthropy itself, or the ability to support, operate or develop itself.

The Decisions expressly put forward to allow private capital that meet required conditions to initiate and set up small-and medium-sized banks and other financial institutions. This system has groundbreaking significance. Only in that way, will it be possible for foundations and other welfare organizations to enter the financial system through venture philanthropy and set up financial institutions, and private banks will be able to enter the philanthropic field and carry out venture philanthropy. Moreover, it is possible to build an entire philanthropic financial system.

Building a modern society organization system and developing causes for public good are the important objectives and directions for social structural reform. If this

can be combined with the financial structural reform in the economic structural reform, it will help “leverage the leading role of economic structural reform, promote the compatibility of the relations of production and productive forces, and the superstructure with economic foundations and boost the sustainable and healthy development of the economy and the society”. In view of this, I hereby put forward the following suggestions on policies:

(I) Pay Attention to the Nature of Foundations as Financial Institutions, and Give Full Play to the Financial Role of Foundations in Venture Philanthropy

The nature of foundations as financial institutions is mainly manifested in the following aspects: first, they have the function of gathering, mobilizing and distributing funds, similar to that of an intermediary; second, as the mechanism for accumulating and pooling wealth, they have the function of accumulating funds and spitting wealth; third, they are agencies for storing funds. It takes a long and complicated process to raise and utilize the funds of foundations. Such storage function has endowed foundations more financial attributes and functions; fourth, as investment subjects, they have the functions of maintaining, increasing value and financial accommodation of funds; fifth, the funds mainly come from donations and thus possess the function of fund trust.

At the initial period, foundations in China originally have the similar function as banks, and are dealt with as special financial institutions. Their competent business units also include the People’s Bank of China. In the 1990s, rural cooperative foundations were universally set up in rural China, in an attempt to solve the difficulty of rural areas in getting loans. Unfortunately, rural cooperative foundations didn’t go far before explicitly being banned by the State Council in July 1998 due to unclear property ownership and poor management. However, this was not intended to negate the financial attributes and functions of foundations. Under a new historical period, we must once again emphasize and leverage the attributes of foundations as financial institutions, especially the financial function of foundations in venture philanthropy.

(II) Form a Complete Ecological Chain for Venture Philanthropy and Build an Effective Closed-Loop Ecological Chain for Venture Philanthropy

Venture philanthropy cannot succeed without the forces of government agencies and enterprises, and still more, nor can it succeed without the participation of NGOs, foundations in particular, as subjects of social governance. The government can promote and guide the strategic development direction of venture philanthropy by formulating relevant policies and systems. When assuming social responsibilities, enterprises, commercial banks in particular, can take venture philanthropy as an important way of participating in social construction and social governance, so as to bring about a win-win situation. Therefore, it is necessary to encourage commercial banks and policy banks to fulfill social responsibilities of enterprises, and participate in public welfare cause, so as to promote financial innovation and

provide convenience for financing venture philanthropic projects. Banking financial institutions should undertake social responsibilities for their shareholders, employees, consumers, commercial banks, government agencies and communities and other stakeholders, and be encouraged to participate in venture philanthropy and explore financial innovations, so as to help fulfill their corporate social responsibilities as enterprises. As resource providers, foundations can not only raise funds, maintain and increase values, but also establish commercial entities including financial institutions capable of providing resources to causes for public good in a long-term and stable manner.

(III) Drawing on International Experience to Set up Banks of Public Interests and Form a Complete Modern Financial System

Commercial banks and policy banks are two major parallel and complementary financial institutions in China's unified financial system. The emergence of policy banks and even policy-based finance, are a reasonable complement to the "mal-functioning status" of the market arisen during resource allocation and is an approach for the government to allocate resources under the market economic conditions. However, the government sometimes does malfunction, so merely using policy-based finance as a complement still fails to give effective responses to the "market malfunction" existing in reality. When it comes to the financing plight for the development of public welfare causes, the crux lies in the absence of a financial system for public good. Philanthropic finance is different from commercial finance. Commercial banks operate on the principle of safety, liquidity and benefits, and their main objective is to make profits; while philanthropic finance operates on the non-profitable principle, or their objective is not to make profit. Philanthropic finance is also different from policy-based finance. Policy-based finance is based on state credit, and indirectly or directly serves to implement and coordinate particular economic and social development policies set by the state for deposit and loan interest rates under preferential conditions using various special financing means. In contrast, philanthropic finance is not based on state credit, nor does it rely on the government as its source of capital. In most cases, it relies on market-oriented approaches to solve financial problems that exist in the fields of society, including the fields of public welfare.

In the public welfare financial system, due to their intrinsic characteristics and inadequacy in such aspects as property rights, performance evaluation, investment returns and maintenance and increase of values, foundations can hardly replace banks; there are also such intrinsic restraints as shareholder interest returns, profitability restriction which hinder commercial banks from undertaking corporate social responsibilities and entering public welfare financial system. It is not only necessary, but also, to a certain extent, operationally possible to explore the establishment of banks of public interests. Banks of public interests can keep

tapping into new opportunities from the blind domains of market-oriented mechanism and policy-related mechanism in the public welfare fields. Effectively integrating the relatively “backward” causes for public good and relatively mature financial market can serve two purposes: on one hand, it can help maintain and increase the value of funds through financial means, thereby promoting the independent and healthy development of causes for public good; on the other hand, it can regulate the profit-seeking inertia of the financial market by taking advantage of the value restraints of public welfare, and guide it to return to its original financial functions and values.

Concerning banks of public interests, there is much practical experience that we can draw from the international community. Bangladesh Rural Bank, also known as the Grameen Bank, is dedicated to providing petty loans to the poor, and has achieved great success in poverty alleviation. A1-Bank al-Islami is a generic term for domestic financial credit institutions that some Arabic and Islamic countries established on the principle that interests should be banned according to the *Koran*. Not aimed at making profits, such banks do not charge interests for loans, nor pay interests for deposits. Instead, they commit themselves to developing the national economy and cultural and educational undertakings and have played an enormous role in mobilizing the domestic economic resources in a country and fostering a sound financial system. In China, relevant explorations have also been carried out in some regions. The Foundation for Balancing Urban and Rural Development of Sichuan Province plans to set up the Sichuan Bank for Balanced Development to provide services for balancing urban and rural development and advancing causes for public good in Sichuan Province. This proposal has been brought to the attention of relevant departments.

(IV) Build a Scientific and Effective Supervisory Mechanism and a Performance Evaluation Mechanism for Banks of Public Interests

To promote venture philanthropy and encourage trials at banks of public interests in innovating the financial system, we must establish a scientific and effective supervisory mechanism and maintain a balanced relationship between the welfare attributes and commercial approaches of venture philanthropy and banks of public interests on the basis of the intrinsic characteristics of venture philanthropy and banks of public interests. We should explore enactment of relevant laws, coordinate commercial finance, policy-based finance and philanthropic finance, and build a fire wall between different financial fields, so as to promote reform of China’s financial system and build a complete modern financial system.

A scientific evaluation system should be established with respect to performance of banks of public interests. In view of the uniqueness of banks of public interests in the financial system and their own missions, we should take differentiated approaches to commercial banks and policy banks in their performance evaluation systems.

Among them, social investment returns are tools that hold salutary reference and significance for performance evaluation of banks of public interests. For social investment returns, what matters are not only their economic benefits and policy benefits, but also the changes brought about by investments to the society and communities.

Chapter 20

Policy Recommendations on Encouraging Development of Social Enterprises

Ming Wang

Over the recent years, to better solve social problems, trends for social innovations have emerged in some developed and even developing countries. Social enterprises are just a miracle in social innovations in different countries. They are born for the following two reasons: first, driving force of public welfare innovation from non-profit organizations. Influenced by such factors as rising cost, dwindling government appropriations or donations and aggravated competition, many non-profit organizations are in dire need of finding a way out for public welfare innovations; second, driving force of social innovation from private sectors. In consideration of corporate social responsibilities, private sectors, which have accumulated rich experience in markets as well as wealth, seek to solve social problems through market-oriented approaches. Social enterprises are a kind of hybrid NGOs with multiple elements and are the products from an organic combination of social welfare and market economy. Social enterprises are characterized by professionalism, public welfare orientation, service provision and non-political attribute. Therefore, faced with complicated social problems, all governments invariably pay much attention to how to promote development of social enterprises through policies. For instance, US President Barack Obama has set up the Office of Social Innovation and Civic Participation (SICP) at the White House, in an aim to promote the partnerships between the government and private enterprises, social entrepreneurs and the public; the British government has successively worked out a series of policy measures including *Social Enterprises: A Strategy for Success* and *Social Enterprises' Action Plans: Scaling New Heights* for planning and advancing the development of social enterprises, so as to enable them to be the lead in the world; Muhammad Yunus from Bangladesh has started the Grameen Bank, a social enterprise dedicated to providing petty loans to impoverished women. This suc-

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successful mode has been widely adopted all across the world, and Muhammad Yunus hence won the Nobel Peace Prize in 2006 for his achievements.

Generally, social enterprises in China were first set up in around 2004 and a number of outstanding social enterprises such as Canyou Software in Shenzhen and Hangzhou Xiezhi Hotel, sprung up one after the other. In recent years, some local Party and government departments also began to show their concerns for the development of social enterprises. For example, in June 2011, in a document concerning the enhancement and innovation of social management, Beijing Municipal Party Committee has put forward to “actively support development of social enterprises and strive to develop social services industry”. In 2012, Nanhai District of Foshan City set up a social innovation fund of RMB 2 million to explore modes for development of social enterprises on the basis of practice. Shunde District also established the Social Innovation Center—a statutory institution that is operated in the same manner as enterprises. It is aimed to explore training of entrepreneurs and research into social enterprises and promote public welfare projects with investments from social capitals.

There remain some major problems which might affect the development of social enterprises in China:

First, all sectors of the society have an inadequate understanding of social enterprises and have many doubts on their orientations of public welfare. Not only government officials, but also scholars, the media and the public, to some extent, know not enough about them. The public have a low awareness of social enterprises, the media report little on them, even many people working for NGOs, philanthropy, and social services know not much about social enterprises, and some organizations and individuals operating in the modes of social enterprises cannot gain a correct understanding of the connotations of social enterprises. Over the past years, the lack of standardization in the market economy has led to inadequate social credibility and negative impacts on public ethnics. As a result, it is difficult for people to accept the well-intentioned inference of “seeking public interests through the market” and thus have doubts on the public welfare orientation of social enterprises.

Second, social enterprises need to enhance their capabilities in market operation and public welfare innovation. From the perspective of market operation capability, whether continuing to adopt the public welfare innovation modes of existing systems or actively introducing social innovation modes of the market mechanism, a majority of social enterprises have yet to develop sustainable development mechanisms and core competitiveness in amid of fierce market competitions, and are still at the subsistence stage of maintaining simple reproduction, thus difficult to seek their due market shares; viewed from public welfare capabilities, social enterprises need to make breakthroughs in many aspects such as endowment modes, beneficiaries, benefits, motivation mechanisms, and improvement of learning abilities.

Third, the development of social enterprises is in want of corresponding policy and institutional supports. Currently, China has not yet rolled out policies and regulations concerning social enterprises, and most of local governments also take a wait-and-see attitude. Of the existing policies and regulations, there are many

provisions which are unfavorable to the development of social enterprises; within the theoretical circles, research is generally exploratory, and no research has yet to be conducted with respect to the strategic planning, policy system and institutional construction of social enterprises.

Based on the practice of social enterprise development at home and abroad, I hereby put forward the following suggestions on promoting the development of social enterprises in China:

First, make clear the non-profit attributes of social enterprises as special NGOs, strengthen supervision of social enterprises and promote the recognition and support of all sectors of society. To begin with, we can periodically conduct public welfare certification of social enterprises according to certain standards so as to define their connotations, extensions and attributes. It is suggested to first make pilot projects at local governments (such as Beijing, Shenzhen and Foshan, etc.) to formulate certification standards for social enterprises and then help popularize the social enterprise standards and make them applicable across the country. The government grants preferential policies to social enterprises according to relevant standards and encourage allocation of limited profits within a certain range. This can help social capital owners recognize and support social enterprises; next, we should help social enterprises to establish self-discipline mechanism, industry-wide mutual-discipline and heteronomy mechanism and propel social enterprises to keep enhancing their public welfare awareness through such means as accountability and social supervision, so as to endeavor to foster public welfare-oriented industry atmosphere and social atmosphere; finally, we should establish and improve the evaluation system of social enterprises and necessary government supervision system. We can enhance the transparency of social enterprises and win recognition from all sectors of society by conducting periodic social enterprise appraisals, awarding the good and punishing the bad.

Second, encourage all sectors of society to actively boost the development of social enterprises. From the perspective of NGOs, for those private non-enterprise units or foundations that have conditions to be developed into social enterprises, we should encourage them to explore the road to social enterprises; for those foundations that show concern for and give support to development of social enterprises, we should try to provide them with various preferential policies and institutions and help foundations to support the development of social enterprises; for the supporting organizations that are dedicated to professional training, information network construction, project management and other activities, we should encourage them to get actively involved in these activities and provide necessary support to these organizations in funds and policies. From the perspective of government promotion, we should make more efforts to promote the government to purchase services and make active explorations on preferential taxation policies for social enterprises where conditions permit; we should specify special fields with stronger orientations of public welfare, such as employment support, education, poverty alleviation, community development, encourage social enterprises to get active involvement in such fields, grant necessary preferential policies, and restrict cut-throat competition, so as to expand the market space for the development of social enterprises.

Third, include as soon as possible the promotion and standardization of social enterprises development into the policy system. Practices in other countries and regions can be categorized into three kinds: first, enact special legislation, which is typical in South Korea; second, incorporate social enterprises into existing legal framework by revising and adjusting existing laws and regulations, which is typical in the US and UK; third, roll out relevant planning, policy or other rules concerning the development of social enterprises to advocate the development of social enterprises, which is typical in Hong Kong. According to the status quo of China, it is advisable to bring as soon as possible the boosting of social enterprises development to the work agenda of governments at all levels, and where conditions are met, local governments can organize relevant talents to study and formulate strategic plans and institutional framework for the development of social enterprises in the region; in regions where conditions are ripe, we may study and formulate local regulations which can boost the development of social enterprises. We should organize talent forces to scrutinize and sort out existing laws and regulations, and make necessary adjustments and revisions to existing provisions which are unfavorable to the development of social enterprises, in an effort to create a policy-based and institutional environment that is conducive to the development of social enterprises.

Chapter 21

Recommendations on Deepening Cooperation Between Mainland China, Hong Kong, Macao and Taiwan to Establish “Special Zones for Social Governance”

Ming Wang

The Third Plenary Session of 18th National Congress of the CPC first put forward to promote modernization of national governance system and governance capacity and also set it as the general objective for the drive of comprehensively deepening reform. The modernization of national and social governance includes two major aspects: one is the modernization of national governance; the other is the modernization of social governance. The two differentiate from and complement each other. In the sense of comprehensively deepening reform, reform of national governance system is the prerequisite for effectively promoting social governance. Only by comprehensively deepening reform of the government as subject of public administration and transforming its function, can we gradually carry out and deepen many reform measures in social fields. However, we should also note that, compared with the national governance system, social structural reform and modernization of social governance is more general, complicated and arduous. It will take a more progressive and even reiterative process. Economic structural reform is on the whole successful; moreover, it has revealed and spawned a great number of social problems. These have made this process especially realistic and urgent. To some extent, it may be said that social reform and modernization of social governance is the second main battlefield after economic reform as China’s reform advances to a deeper-level in all respects.

Social reform and modernization of social governance have brought about new possibilities for deepening cooperation between Mainland China, Hong Kong, Macao and Taiwan. Over the recent years, in the context of globalization and regional economic integration, economic cooperation between Mainland China, Hong Kong, Macao and Taiwan has continued to deepen, the scale, fields and modes for economic cooperation have undergone unprecedented development, and encouraging progress has been made in institutional and mechanism construction.

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Though exchanges in social and political fields continue to deepen between Mainland China, Hong Kong, Macao and Taiwan, it is difficult to make any substantial progress in further cooperation due to the huge differences in political systems. Since the 1970s, social governance in Hong Kong has made considerable progress and won universal recognition and acclaim from the international society. Since “declaring the martial law ended”, Taiwan has made rapid progress in its social governance modernization as it continues to advance its political democracy. Various forms of NGOs flourished, community-level self-governance system continues to get improved, social enterprises and other social innovations are unprecedentedly active and various forms of cooperation mechanisms between government agencies and NGOs also become increasingly sound. The experience and lessons of Hong Kong and Taiwan in social governance modernization hold much reference significance for us.

With reference to our practice of building “special economic zones” in coastal open regions at the initial period of reform and opening up, I hereby put forward the following conceptions concerning further cooperation between Mainland China, Hong Kong, Macao and Taiwan: explore the establishment of “special zones for social governance”; demarcate a region to comprehensively build a social governance system on the basis of the preliminary success achieved in economic cooperation between Mainland China, Hong Kong, Macao and Taiwan; draw on the successful experience and modes of Hong Kong and Taiwan in social governance modernization on the basis of new cooperation mechanism between Mainland China, Hong Kong, Macao and Taiwan, deepen social reform in China in all respects; blaze a new development path for social governance modernization with Chinese characteristics under the framework of “one country, two systems”, find another great “fulcrum” for the new round of reform, and explore brand-new paths for in-depth cooperation across the Taiwan straits.

The specific suggestions are as follows:

First, reform administrative systems and build independent administrative agencies with unitary functions.

Social structural reform and social governance modernization needs deepening reforms in government systems and administrative systems as well as appropriate political structural reform. To explore social governance cooperation between Mainland China, Hong Kong, Macao and Taiwan in the form of special zones, we have to, on the premise of adhering to the socialist road with Chinese characteristics, reform the existing administrative ownership and operating modes, as well as the systems and modes for social management and public services; at the same time, we should appropriately advance political structural reform and explore the possibility for separation of ruling power, administrative power and governing power within the special zones to some extent. Such reforms need sufficient imagination: on the premise of adhering to leadership of the Party and the state over the special zone, implement special administrative system within the special zone, explore unitary administrative functions of governments of the special zones, and rebuild governments of the special zones with a focus on social management. We should

try to establish a “small government” in a brand-new sense whose core and even sole function is social management, and return to the central government other functions of governments of the special zones, such as financial taxation, economic adjustments, market supervision, and public security. Governments of the special zones will take full charge of social management affairs within the special zones. Financially, it will implement transfer payment in the full sense. Department of Finance within the special zones, instead of collecting taxes, will only take charge of expenditure. Fiscal budgets and final accounts will be submitted to the National Congress by the central government for approval. We should strictly control the fiscal size of governments of the special zones and take concrete measures to build a “small government”.

Governments of the special zones whose core function is social management are a new type of administrative agencies totally different from other local governments. As special regions, such administrative agencies are not affiliated to any other local government, nor to the central government; instead, they are independent administrative agencies which are responsible to the National Congress. On such a platform, we may have bold conceptions about the new mechanisms for cooperation between Mainland China, Hong Kong, Macao and Taiwan and make active explorations for innovative cooperation mechanism so as to jointly promoting social governance modernization between Mainland China, Hong Kong, Macao and Taiwan.

Second, explore new mechanisms for cooperation between Mainland China, Hong Kong, Macao and Taiwan, and innovate operation mechanisms for social management and public services.

The new system for cooperation between Mainland China, Hong Kong, Macao and Taiwan will take the conceived special zones of independent administrative agencies as a brand-new platform for cooperation between Mainland China, Hong Kong, Macao and Taiwan. Delegations from Hong Kong and Taiwan will be invited to special zones to discuss co-governance issues with local governments and accept the entrustment of the National People’s Congress to co-establish independent administrative agencies in the special zones under the framework of rule of law.

With limited financial resources, governments of the special zones should be bold in innovating modes for social management and operation of public services, make extensive efforts to streamline public organizations, deepen social structural reform, explore market-oriented way of purchasing services, such as entrustment, authorization, outsourcing, bidding, and strive to develop social forces, so as to rebuild the cooperative partnership between the government and the society.

Third, draw on the social management modes in Hong Kong and Taiwan and comprehensively promote social governance innovations.

In the conceived special zones, we will actively draw on the social governance modes in Hong Kong and Taiwan and invite various NGOs in Hong Kong and Taiwan to get involved in the overall design, planning and implementation of the

governance system for special zones. On the basis of introducing and learning from good practices, we will gradually foster a social governance system with Chinese characteristics concerning such aspects as special zone basic-level community governance, industry governance, profession governance, ethnic group governance, religion governance and public welfare. We should strive to develop NGOs of all kinds, relax control on registration of NGOs, encourage all kinds of NGOs and various NGOs in Mainland China and Hong Kong, Macao and Taiwan to set up branches and get active involvement in practices of social governance innovation in the special zones.

We should reform those aspects of existing system which are unfavorable to social innovation, comprehensively rebuild the community-level self-governance, reform and convert public institutions and people's organizations within the special zones into NGOs which can be registered and supervised on a unified basis, and promote all social innovative and practical activities including social enterprises, venture philanthropy and micro public good.

The conception of "special zones for social governance" is to explore the possibility of conducting in-depth cooperation in social governance modernization between Mainland China, Hong Kong, Macao and Taiwan under the framework of "One Country, Two System". At present, such a conception only remains at the imaginary stage, in which, either its names, orientations, conditions, or contents, strategies and operational possibilities are too coarse to stand up any further scrutiny. However, we sincerely hope this conception can arouse concern and attention from all parties concerned, especially those farsighted personnel from Mainland China, Hong Kong, Macao and Taiwan. It is expected that these personnel can follow on and participate in the joint efforts to perfect this conception and help expand cooperation between Mainland China, Hong Kong, Macao and Taiwan, so as to contribute to the social development in these regions and modernization of social governance of the Chinese nation.

Postscript

I am not a diligent scholar, and many viewpoints will only become mature after being polished for years. However, the pace of China's drive of deepening reform in all respects of society over the recent years has disturbingly prompted us to continuously publish many not-so-mature viewpoints. I understand that there is kind of what can be termed as "mission" or requirements of the times. Reform is advanced at a fast pace, so scholars not only have to keep up with the pace, but also can make it clear. My team members and I are trying our best, but negligence and deviation are inevitable in some cases. When the publishing house invites me to compile this book, I feel all the more nervous, fearful that I may not deliver a good job. After much deliberation, I finally select this collection of viewpoints, comprising papers, commentaries and policy recommendations. I hope it will not only convey our viewpoints, but also to some extent reflect traces of rectification and adjustment of them which reveal our immaturity and inner anxiety.

This book is not my independent work. Of the several papers included in the book, some are collaborative works with post-doctors and my students, and some are yet to be published. Each of the collaborators has made great efforts. To my solace, the viewpoints are formed on the basis of our common discussions. We have worked together over the process of reflections and research. I have attached detailed annotations and sources at the end of each paper and compiled them as part of this book. This is intended to show my gratitude to the collaborators. I will assume all the responsibilities for these writings.

This book is a symposium which reflects the current viewpoints of the author. For its publication, special thanks should go to President Xie Shouguang and Director Li Xiaojun of the Social Sciences Academic Press. I would not have joined this series of books without their kind help and repeated compulsory requirement. But it is also due to this precious opportunity that I have the fortune to publish the latest research achievements and viewpoints, which serve much more than a kind of

spur to our team. We will further deepen our existing research results and hope that more sound and systematic achievements will come out in the near future, so as to make up for the deficiency of the current work.

July 29, 2014

Wang Ming
On a flight of Air China from Fuzhou to Beijing

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