

Chapter 10

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

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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.