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## Government procurement of CSO services in the PR China: Doing the party's work?

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The donor landscape for Chinese civil society organisations (CSOs) is rapidly changing. After an era of primarily internationally funded civil society building, the Chinese government has become a donor in its own right. It has started providing funding for Chinese CSOs which are willing to align themselves with government policies.

These changes pose both challenges and opportunities for China's civil society. Chinese CSOs eager to access government funding will have to circumnavigate the political and technical-administrative pitfalls of cross-sectoral collaboration with government organisations. They also have to prevent bureaucratic co-optation, which would lead to an increasingly state-led civil society in China. There is considerable scope for future international cooperation projects which enhance the Chinese government's capacity to administer the procurement of CSO services based on the rule of law. Internationally funded capacity building initiatives should also enhance the capabilities of Chinese government officials and civil society practitioners engaged in procurement processes.

Since not all parts of China's civil society sector will benefit equally from government funding, continued international support should be geared towards potentially marginalised CSOs in the policy fields of environment, labour, democracy and human rights. Chinese CSOs which are likely to be excluded from government funding can also seek funding from Chinese private foundations or look to the emerging social enterprise model as a source of inspiration. In the United Kingdom increasing numbers of non-profits aim to harness the power of markets to provide monetised social services. Revenues generated this way are not being distributed to the social enterprises' shareholders but reinvested into the organisation, thereby enhancing their financial independence vis-à-vis the state.

### **A shifting donor landscape in China**

Seed funding from American funding organisations such as the Ford Foundation or Asia Foundation helped kickstart the development of China's voluntary sector in the wake of the 1995 Women's Conference in Beijing. Foreign funding enabled the establishment of more or less autonomous citizen groups in China alleviating poverty, strengthening women's and disability rights, as well as protecting the environment. While government-organised non-governmental organisations (GONGOs) have existed since the early 1980s, foreign funding enabled the growth of more autonomous grassroots organisations throughout the 1990s.

European funding soon followed suit. Whereas American funding agencies had the political mandate to support grassroots NGOs in China, European bilateral and multilateral development organisations found their operating space more politically circumscribed. In the context of mercantilist European trade policies, development aid was primarily used as a foreign policy instrument aimed at improving EU-China trade relations. It led to a bifurcated donor landscape of more risk-prone Anglo-Saxon support to China's grassroots NGOs and a more cautious European approach of supporting Chinese GONGOS.

In light of China's rapid economic ascent international support for Chinese civil society organisations, whether for grassroots NGOs or for GONGOS, is being reduced. Bilateral organisations such as the Australian AusAid, the German Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Canadian International Development Agency (CIDA) have begun phasing out their development aid to China. The end of traditional western development assistance raises questions about the future trajectory of China's civil society development. Chinese CSOs increasingly have to rely on domestic funding sources in order to secure their organisational survival.

Private Chinese funding organisations such as the One Foundation (Yi Jijin), established by Chinese actor Jet Li, as well as the Alashan Foundation (Alashan Xiehui), founded and supported by a group of Chinese entrepreneurs with a mission to protect China's environment, have emerged as new promoters of CSOs. The Chinese government has also entered the fray. It now not only provides overseas development assistance, but has also started to channel domestic funding for registered Chinese CSOs through state institutions such as the Ministry of Civil Affairs (MoCA).

Such government procurement of CSO services raises the spectre of an increasingly state-led civil society. Since not all parts of China's civil society sector will benefit equally from government funding, continued international support should be geared towards potentially marginalised CSOs in the policy fields environment, labour, democracy and human rights.

### **Doing the party's work?**

Government procurement of public services has a short history, which can explain why there is not yet an overarching political and legal framework for the procurement of CSO services. According to Professor Yang Tuan, a leading academic at the Chinese Academy for Social Sciences and advisor to many Chinese grassroots NGOs, government funding of CSO services in China started at the municipal level in 2000. Similar to many of China's social and economic policies local experimentation preceded national initiatives.

The Shanghai Department of Civil Affairs (DoCA) took the lead in 2000, when it established an office which provided funding for social organisations serving elderly people in six districts and twelve street offices. In 2004, three Shanghai-based 'people-run non-profit units' (minban feiqiye danwei) were established and received funding to embed social workers in Street Offices (jiedao banshichu), the administrative equivalent of a borough in the UK, to combat drug use, engage in community correction and community youth work. In 2006, Shanghai's new Pudong district started providing funding for charitable aid and migrant worker children education. Eight municipal government departments and thirteen social organisations signed procurement contracts worth 60 million RMB.

In Shenzhen, an industrious city best known for its role as one of China's first special economic zones, the municipal government fostered the growth of social work organisations since 2007. CSOs were tasked to establish social workers centres and then to apply for government funding. Shenzhen municipality has provided more than

100 million RMB for community building, social welfare and aid, youth education, health, community correction, disability and rehabilitation, and migrant worker services. Experiments of municipal government procurement of CSO services have been partially funded through central government agencies as well as China's lottery fund (caipiao zijin).

In July 2010 the Beijing municipal government provided 100 million RMB to support 300 welfare projects. Local experiments were scaled up to the national level when in 2012 the Ministry of Finance allocated 200 million RMB to support social service delivery CSOs.<sup>1</sup> Officials have hailed the devolution of government functions to CSOs as a major breakthrough in the way the Chinese party-state provides social services. According to Liu Zhenguo, Deputy Director for NGO Management at the Ministry of Civil Affairs (MoCA), MoCA started its funding programme in 2012 with the objective to provide better public services and to increase CSO capacities through project work.

From the vantage point of officials like Liu government procurement helps to reduce costs and provides choice in public service, innovates government functions, and helps to institutionalise the relationship between government agencies and Chinese CSOs. Government procurement of CSO services also has the potential to transform attitudes among officials to see Chinese citizens and their associations as partners in social development. This shift in attitude is indicative of the increased confidence on behalf of the Chinese government to shape actively the development of China's civil society sector, rather than to react rather passively to societal self-organisation.

The central government's changed attitude also mirrors the motivation for local governments to procure CSO services. Both on the local and national level, government officials have to face the complexities of a transition from a planned economy to a more diversified public service provision under the conditions of a market economy. As such, the Chinese party-state has recognised the value of CSO as intermediary organisations and service providers. It speaks to the adaptive capability of the Chinese Communist Party (CCP) to integrate societal actors into the bureaucratic process of state administration.

While in the past the mix of sticks and carrots favoured the stick, e.g. in the form of strict government control of CSO registration, this new development signifies a transition towards carrots, e.g. in the form of funding. It presents a window of opportunity for all those Chinese CSOs which are willing to align themselves with policy goals of the Chinese government.

Civil society practitioners have generally welcomed the emergence of government funding for Chinese CSOs. Huang Haoming, Executive Director of the China Association for NGO Cooperation (CANGO), has lauded government procurement of CSO services as a possibility to promote a healthy development of CSO. Huang sees government funding for CSO-led projects as an opportunity to increase their organisational capacities and professionalise their services. According to Huang, government procurement of CSO services also leads to a change in the government's role as a referee (caipanyuan), a new intermediate role which could potentially help combat corruption.

Critics of government procurement of CSO services have pointed that the Chinese government may utilise CSOs to 'manage society' (shehui guanli), a code word for the stability preservation policy (weiwen) of the previous Hu/Wen administration. Besides the danger of co-optation they have also pointed out the possibility that government-affiliated organisations (shiyue danwei) may benefit disproportionately from government funding. This would be problematic since such government-affiliated organisations already provide up

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<sup>1</sup> Yang Tuan, Xi Zhengfu goumai shehui fuwu, Presentation during the EU-China Civil Society Dialogue on Government Procurement of CSO services, Beijing, China, 16 January 2013.

to 80-90% of public services in China, thereby blurring the boundaries between funding provision and service production.

The emerging trend of government procurement of CSO services thus will produce both winners and losers. Social service CSOs focusing on community services, child services, old people and disabled people, as well as health services will be the main beneficiaries of the new government policies. Service-delivery CSOs can find areas of mutual interest which makes government procurement more likely. Chinese CSOs promoting democracy and human rights as well as labour issues on the other hand will find it much harder to adapt to the changed donor landscape. Conscious of the Chinese Communist Party's own revolutionary history, many government officials remain deeply suspicious about CSOs with political agendas. This is why labour, democracy and human rights groups are fairly unlikely to receive government support. They will also find it hard to sustain their operations in the face of dwindling international support.

Chinese environmental groups also find themselves between a rock and a hard place. So far, they are excluded from government-sponsored projects. The Ministry of Civil Affairs has not made environmental protection a priority area for CSO-led service delivery. The Ministry of Environmental Affairs does not yet provide funding for environmental CSOs. Afraid of offending the authorities many Chinese environmental groups are also reluctant to tap into societal resources generated through local environmental movements. Environmental groups who spear-headed civil society building throughout the past fifteen years thus stand at a cross roads. On Weibo, China's equivalent of Twitter, Chinese environmentalist Li Bo suggested that environmental groups could lobby for government funding aimed at preventing local environmental conflicts. Such a positioning could lead to a widening gulf between Chinese citizens, who want to protect their basic rights and environmental CSOs, who are keen to gain access to government funding.

### **The technical-administrative dimension**

Despite the recent upsurge in government funding for CSOs a number of key challenges persist which are likely to impede the development of a collaborative relationship between Chinese government organisations and CSOs. On a national level the Ministry of Civil Affairs only started to procure CSO services in 2012. Chinese academics have pointed out that in many localities cadres are still very much unaware of CSOs. CSO developments across China have been fairly uneven, with clusters of CSOs in urban centres like Beijing and Shanghai, and to a lesser extent in more remote provinces like Qinghai or Yunnan. In such places civil society practitioners often have to use their own organisational resources to convince local government officials to cooperate with them. By showing the utility of Chinese CSOs to local governments they hope to gradually win the hearts and minds of officials. Successful government procurement of CSO services thus mainly depends on the enthusiasm of local officials and their ability to tap into the new government funding streams.

In the absence of an overarching political framework for collaborative party-state relations with China's emerging civil society sector such personal relationships have a tendency to be short lived. Owing to China's cadre rotation system many CSOs have to rebuild personal relationships once a cooperating cadre (yibashou) is being promoted and moves on to another administrative division or locality. This over-reliance on personal contacts leads to an underdevelopment of formal systems based on the rule of law, which should guide government procurement of CSO services. This situation indicates that there is scope for future international cooperation projects with China which will enhance the Ministry of Civil Affairs and their local departments' capabilities to institutionalise transparent and accountable rules for the procurement of CSO services.

Since cross-sectoral collaboration between local governments and CSOs is currently highly contingent on local contexts it does not come as a surprise that different kind of

procurement models have been developed. They range from direct procurement of CSO services, which are ad hoc and issue-based, to more long-term project funding for CSO services and government support for public benefit activities run by CSOs. In the procurement process, cooperation partners have to negotiate the degree of government donation and CSO ownership. In such open-ended negotiations the respective power relationships are shaped by the degree of financial dependence or independence of the CSOs. Outcomes also depend on whether or not there is open and fair competition for government funding. Where CSOs are financially dependent, they can easily become co-opted into the party-state bureaucracy. Where procurement standards and government rules are unclear, conflicts between cooperation partners are likely. Both government officials and civil society practitioners thus would benefit from capacity building initiatives which enhance their capabilities to cooperate.

Past initiatives of central government procurement of CSO services indicate that both government organisations as well as Chinese CSO still need to develop implementation protocols which delineate the roles and responsibilities of cooperation partners more clearly. In 2006 the Asian Development Bank (ADB) cooperated with the State Council Leading Group on Poverty Alleviation (LGOP) in order to develop new models for civil society participation in poverty reduction. This initiative aimed to find new ways to mainstream NGO participation in poverty alleviation in rural China by providing government funding to CSOs.

Participating Chinese academics and civil society practitioners by and large agree that this initiative failed to meet its ambitious goal. All of the participating CSOs were GONGOs, who received 500,000 RMB for each poverty alleviation project from the Chinese State Council. ADB provided a management fee of 50,000 RMB to each participating CSO. Given the lack of CSOs in Jiangxi province, CSOs from other parts of the country had to travel to project sites and second their staff to Jiangxi for long periods of time. They soon saw their organisational expenses exceed the allocated management fee. Civil society practitioners from outside Jiangxi also found it hard to establish cooperative relationships in local communities which have their own distinct languages and customs. Since poverty alleviation is a long-term process, participating CSOs struggled to generate impact during the project period.

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