

China's Experience in Fostering Tri-partite partnership

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(1) History and Development of Third Sector in China

- Three phases of Development

Phase I (1949 – 1978)

Phase II (1978 – 1998)

Phase III (1998 – now)



Features and Characteristics

- Small in number
- Mostly were nation-wide, nearly without regional, NGOs.
- Headquarters were in Beijing or Shanghai
- Close relationship with the government.
- Quasi-governmental (QUANGO) 、 Governmental-oriented (GONGO)
- Different from the NGOs in the western countries.

- **Phase II (1978 - 1998)**

- The social environment changed owing to the implementation of Open Door Policy.
- Tremendous number of NGOs were organized.
- These NGOs were mainly economic, social and cultural organizations
- In 1988, the Commissioner of Social Organization 「社團管理司」 was appointed to formulate and examine the policies concerning social organizations in the state.
- In 1989, the Social Organizations Registration Ordinance 「社會團體登記管理條例」 was enacted.

Features and Characteristics:

- Lack of clear definitions of Social or Civic organizations.
- Wider Scope, such as: Federations, Associations, Research organizations, Philanthropies, Friendship associations, or Chamber of commerce.
- Generally, NGOs were social organizations in nature.
- In 1998, the Social Organizations Registration Ordinance 「社會團體登記管理條例」 was introduced
 - ♦ stipulates the Social/ Civic Organizations are those non-profit organizations which are formed by Chinese people voluntarily, aiming at achieving common goals, and are acted in accordance with its stated vision and mission.

Complementing with the Policy of Socializing of Welfare 福利社會化政策

- Better mutual understanding between the government and NGOs.
- The government gradually declined its role in providing welfare, a move that was consistent with policy of socialization of welfare
- However, tension existed between state and social organizations.

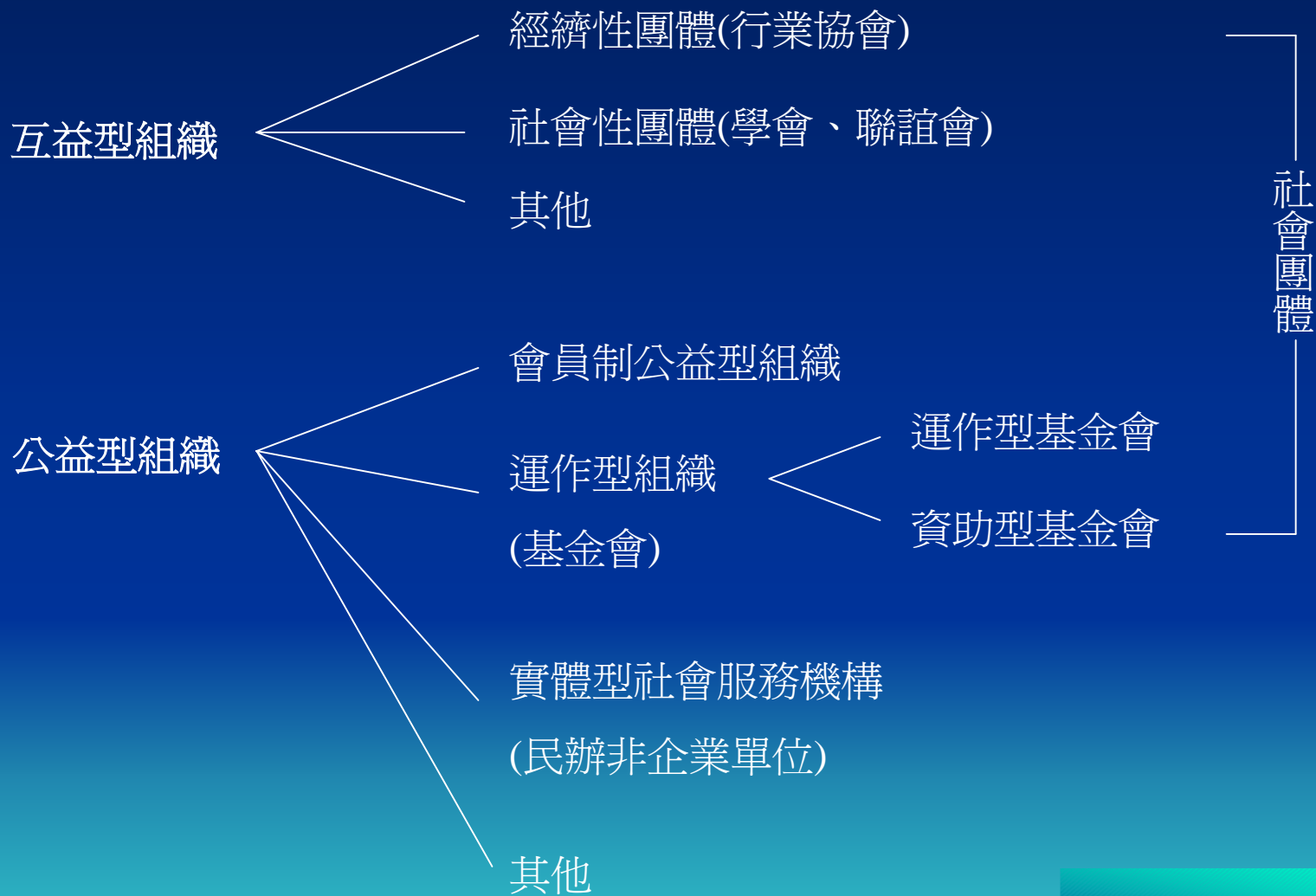
- Phase III (1998 – now)

- In 1998, the Civil Non-enterprise Organizations Registration and Governance (Provisional) Ordinance 「民辦非企業單位登記管理條例」 was enacted。
- Formal existence of NGOs:
 - Social organizations
 - Civil Non-enterprise Organization 民辦非企業單位
- Civil Non-enterprise Organizations:
 - Refers to those social and or business-oriented organizations/ community activities, founded by personal or non-stated resources, with the aim of providing non-profit social services.

Features and Characteristics:

- Differences between Social Organizations and Civil Non-enterprise Organizations 民辦非企業單位
 1. Diversity
 2. Funding mainly from non-state-owned capitals
 3. Non-profitability
 4. Limited to social services
- In 1999, the Commissioner of Social Organization 「社會團體管理司」 was renamed as the NGO Governance Bureau. The relationship among Government-Market-Third then has been clearly figured out.

(2) 中國內地第三部門的分類



(2) Classification of Third Sector in China



(3) Current situation of Third Sector in China

- As at the year end of 2003

Social Organizations	Approximately 142,000
- national, autonomous region and municipalities level	1,736
- Province level	21,030
- County level or above	48,731
Civil Non-enterprise Organizations	Approximately 124,000

(4) Legal Framework of Third Sector in China

- Relevant Ordinances:
 - Social Organization Registration Ordinance (enacted in 1989 and amended in 1998)
 - Civil Non-enterprise Organizations Registration and Governance Ordinance (enacted in 1998)
 - Foundation Governance Law (enacted in 2004)

(5) The Tri-partite Partnership among State, Market and Third Sector

- Existence of third sector:
 - Non-governmental and non-market in nature
- Issues encountered by the Third Sector :
 - Market: Market Failure
 - Government: Bureaucracy
- Can the Third Sector solve the above problems?

(5) The Tri-partite Partnership among State, Market and Third sector

- Laws stipulating tax exemption concerning charity donation.

(1) PRC Enterprise Profit Tax Law (provisional)

- The tax exempted shall not exceed 3% of payable tax (Article 6(4)).

(原文:(四)纳税人用于公益、救济性的捐赠，在年度应纳税所得额3%以内的部分，准予扣除。)

(5) The Tri-partite Partnership among State, Market and Third sector

(2) Foundation Governance Ordinance

- The foundation, donors and beneficiaries shall enjoy tax exemption stated in laws (Article 26).
- The foundation shall abide by the Agreement of Donation which clearly states the ways the donations are allocated (Article 27).
- The donor has the right to enquire the status of the donations and give suggestions (Article 39).

(6) Corporate Citizenship

(A) Concept of corporate citizenship

- The concept of “corporate citizenship” is becoming a popular term regarding the market-third sector relationship in China.
- Corporate citizenship is derived from the belief that enterprises can only succeed if what they do are positively valued by the society and they are able to contribute to national welfare (Faithfull, 2000).

(6) Corporate Citizenship

- Apart from that of shareholders and customers, enterprise also commits to the interests of other members of the community. In other words, the community becomes the stakeholder of the enterprise.
- Therefore, enterprises' participations in philanthropic and charity activities can be regarded as a realization of “corporate citizenship”.
- For enterprises, involving in charity activities can help establish and enhance public images.

(6) Corporate Citizenship

(B) Difficulties of corporate involvements

(1) Lack of sense of corporate citizenship

- Low recognition to the concept.
- In need of a long-term planning in enhancing public image through charity activities.

(2) Lack of incentive

- Unattractive benefits from tax exemption.
- Lack of publicity and management in some philanthropic organizations.

(6) Corporate Citizenship

(C) Implications to state-market relations

- The responsibilities of the government
 - More attractive tax benefits to enterprises.
 - Arousing the sense of corporate citizenship of enterprises.
 - Improve management of NGOs and enhance their creditability.

- Thank you