

Saich, Anthony. **Closing China's Welfare Gap.** SCMP.com, August 15, 2003.

China's new leadership appears committed to greater social development to accompany the country's strong economic growth. Problems of rising inequality, declining access to health care in rural areas and urban unemployment have increased, and they are causing China's leaders to reassess their priorities.

Markets alone will not satisfy citizens' demands for education and health care. And with the state withdrawing from its commitment to be the sole supplier of welfare, there is a clear need for alternative providers. This will require a significant change in the relationship between the state and society that allows the latter to take on greater responsibility for its welfare through the expansion of non-governmental organisations (NGOs) and community groups. However, Chinese authorities have remained ambivalent about the degree of autonomy they will permit.

Even so, during the early 1990s there was a big rise in the number of officially registered organisations, due to the liberalising effect of reforms and the government's inability or unwillingness to maintain the same range of services and functions. The organisations range from small clubs, such as philatelic associations, to the China Family Planning Association - set up by the government's Family Planning Commission to receive foreign-donor funding - to environmental groups such as Friends of Nature, which operate as freely as is possible. Naturally, the more autonomy a group has, the more vulnerable it is to administrative interference.

As controls tightened in the late 1990s, the number of officially registered social organisations (the equivalent of NGOs) has fallen from 186,666 in the mid-1990s to 134,000 today. But that figure is misleading because the arduous registration process means many NGOs do not bother, or find other ways to operate. Many have registered as businesses, given the relative simplicity of the process.

In addition to these NGOs, there are a further 700,000 non-profit organisations (which do not have a membership base) that provide welfare services. These include the organisations under government departments and state-owned enterprises that were set up to deal with health and education needs. They have been removed from the state-owned enterprise budget and are expected to fend for themselves. This category includes private schools, hospitals, community-service and vocational-training centres.

There are also more than 1,000 foundations operating in China, although most lack a decent endowment and are mainly used for raising funds rather than dispensing money.

The Chinese government refuses to give such organisations free rein and has implemented rules which aim to bind them to the state and to monitor their activities. There cannot be two national trade unions, for example. This helps control representation to a smaller number of manageable units and has been used to deny registration to some

groups. It ensures that officially sanctioned "mass organisations" continue to enjoy monopoly representation and cannot be challenged by independent groups.

The intent is clear: to copy the division of government departments and limit ties between organisations. This favours those with close government links and keeps people with different opinions on the same subject from setting up "opposing" interest groups. However, many organisations have found ways to evade such controls or to turn the relationship with the state to their advantage.

Despite the many concerns, there is a growing recognition that NGOs have a role to play in welfare provision. Both former president Jiang Zemin and ex-premier Zhu Rongji have referred to what they term "social intermediary organisations" playing an increased role as reforms progress. With the state downsizing and many local governments strapped for cash, there may be little choice.

In a major departure from past practice, the 10-year plan for poverty alleviation explicitly says it is necessary to bring NGOs on board to help implement government development projects in poor areas. Incomplete statistics suggest that NGOs raised between 18 and 28 per cent of the total funds spent on poverty alleviation in the second half of the 1990s. There is ample evidence to show that NGO-run projects have been more successful in meeting their goals in alleviating poverty than similar government-run schemes. China's leaders should not be frightened by the capacity of its society to do things for the common good. Indeed, to meet their development goals, there is little alternative. A good start would be to simplify the procedures for NGO registration and to provide a more favourable environment to encourage donations. This would help NGOs operate openly on behalf of their members.