

# **Evaluation and Regulation of Non-governmental Organizations in the People's Republic of China. Towards a Certification System Compatible with International Standards?**

**by Berthold Kuhn<sup>1</sup>**

**Abstract:** Regulation and evaluation of non-governmental organizations (NGOs) can contribute to build trust. This paper discusses the prospects of establishing NGO evaluation and certification systems in China that would correspond with the principles and good practices laid out by the International Committee on Fundraising Organizations (ICFO). NGO self-regulation accompanied by third-party evaluation and monitoring is a trend increasingly embraced in both developed and developing countries. The likely scenario in the P.R. China is that state authorities take the lead in designing and implementing NGO evaluation and certification systems. However, the relevant authorities seem inclined to engage in a process of consultation with NGO experts at national and international level.

## **Introduction**

This paper discusses the importance of state-of-the art NGO regulation and evaluation systems for further sustaining the growth of the NGO sector in China. The relevance of trust building through the certification of NGOs has not yet been sufficiently addressed in academic works on NGO development in China and even Asia. Hasan and Onyx (2008) pay little attention to this aspect in their recent publication on comparative third-sector governance in Asia. However, some recommendations at the level of country analysis point in this direction by emphasizing the need for a “transition from dominance to social governance through cooperation, negotiation and partnership as well as strengthening of internal governance by NGOs” (Ding 2008: 226).

This paper focuses on the People's Republic of China because of the challenging and special characteristics of the Chinese NGO sector in the wake of modernization and transformation. Although the NGO sector in China is rapidly growing in terms of the number and diversity of organizations, the international community still has a poor overall picture and little knowledge of the Chinese NGO sector. In China, trust in the work of NGOs is still relatively limited among many government officials, the corporate sector, and citizens.

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<sup>1</sup> This paper is based on a pilot research project which analyzed the prospects of establishing an NGO certification system in the People's Republic of China. The research was carried out by the author; Dr. Ying Ji, postdoctoral researcher; and Ms. Zandra Mok, Ph.D. candidate, School of Public Policy and Management, Tsinghua University, Beijing, P.R. China in the first half of 2007. The author is grateful to Prof. Wang Ming, Director of the NGO Research Center, Tsinghua University and Ms. Peng Jianmei, Director of the China Charity and Donation Information Centre (CCDIC), Beijing, for the continued dialogue and cooperation.

There is, however, a positive tendency, as became evident in the context of the relief and rehabilitation work after the Sichuan earthquake when China witnessed unprecedented cooperation between government and NGOs at various levels. There is currently a vivid debate underway about government dialogue with civil society and NGOs and about mechanisms for the regulation and evaluation of charitable activities in China. The outcome is uncertain, however: organizations that are embedded in the administration or affiliated with renowned institutions and/or provide essential social services have been able to extend the scope of their activities, yet some smaller foreign-funded organizations have witnessed setbacks in recent years, particularly before the Olympic Games in Beijing.

This paper stresses the link between the trust-building efforts of NGOs, with respect to the government and the public, and the prospects for the further growth and development of the Chinese NGO sector.

The first two sections of this paper deal with the relevance of trust for NGOs in the context of an emerging and increasingly diverse NGO landscape and authoritarian state control. The third and fourth sections discuss alternatives and institutional options for trust-building initiatives with specific reference to the situation in mainland China.

### **(1) Trust is a Key Asset of NGOs.**

Scientific debates on evaluation concepts, criteria, and mechanisms, which some regard as painful exercise to please donor bureaucracies, sometimes overshadow their ultimate purpose: the building of trust. I regard evaluation not as an end in itself but as a means to raise the level of trust. Certification programs are seen as important steps towards bolstering the public's trust in the sector (Shea/Sitar/ICNPL 2004: 5). Investing time and thought in the design of evaluation and certification systems is thus a strategic investment in relations with donors, with the government, and with the wider public. Civil society development is about engagement and building trust in joint actions for the purpose of mutual or public benefit.

Trust matters most for civil society development and the work of NGOs. It is an even more vital element for the functioning of NGOs than it is for the functioning of the state and the operations of commercial actors (Kuhn 2005)]. The state has the ultimate authority to enforce the compliance of citizens with rules, regulations, and the payment of taxes. The relations between the customers and suppliers of goods and services and between principals and agents in commercial transactions are typically of a contractual nature with a specific mention of a price in exchange for goods and services that are, in an ideal state of affairs, largely objectively verifiable. According to theories of trust (Colemann 1990/1994, Bekkers 2003, Hansmann 1987, Heitzmann 2000), the placement of trust allows actions to be conducted based on incomplete, asymmetric, or insufficient access to information or when an action involves a voluntary transfer of resources with no real commitment from the trustee. In line with such theoretical considerations, NGOs are supposed to be most active in

humanitarian aid and the provision of social services, where it is more difficult to define objectively verifiable performance indicators. NGOs play indeed an important role in development cooperation and humanitarian assistance, particularly in countries where we witness state or market failure in the provision of essential services (Kuhn 2005/2008).

The strength of the voluntary sector is considered to be an indicator of the level of trust in a society. Trust in NGOs is based on the voluntary character of their work, their ability to raise funds from people and organizations while maintaining a positive image, and non-profit-distribution constraints. However, trust needs to be defended and developed. When trust in organizations is damaged, the negative implications quickly become evident. The rising number of income-maximizing not-for-profit organizations and hybrid organizations (Anheier 2008) and the growing professionalism of fund-raising strategies are popular trends within the fund-raising sector. This trend creates many new opportunities for NGOs but may also pose a threat to the core values of the proclaimed NGO work ethic, which distinguishes these organizations from bureaucratic and commercial behavioural patterns.

The scandal concerning UNICEF Germany, a registered association in Cologne, serves as an example of how ambitious growth strategies can turn into major scandals. In April 2008 the new chairman of the German branch of the United Nations Children's Fund (UNICEF), Dr Jürgen Heraeus, predicted a loss of 20 per cent of fund-raising income for 2008, from 100 million euros per year in 2007, after a mismanagement scandal rocked the organization in spring 2008. UNICEF had over the preceding years experienced a process of growth, but it had also paid extraordinarily high fees to advisors without disclosing this information in reports and in communication with the German Institute for Social Issues (Deutsches Institut für Soziale Fragen, DZI). As a result, the DZI withdrew its fund-raising seal of approval from the German National Committee for UNICEF. The ensuing scandal has triggered a debate about the management conduct of NGOs in Germany. As a consequence, the DZI has also experienced a rise in the number of new applications. All of this has occurred at a time when the International Committee on Fundraising Organizations (ICFO) was organizing its fiftieth anniversary conference in Berlin (slogan "50 years of informed trust"), with delegates from Europe, North America, mainland China, and Taiwan expected.

Trust in the work of NGOs is still relatively poorly developed in mainland China. The NGO sector accounts for less than 1 per cent of the gross domestic product and is still dominated by NGOs that are closely affiliated to the government. In addition, the breadth and depth of charitable giving is limited. Corporate philanthropy and voluntary charitable giving are growing but are still in an infant stage, although there has been a significant boost in the context of the Sichuan earthquake in May 2008.

What can be said about trust in China? Sun Yat-sen, the political leader and statesman who is often referred to as the father of modern China, emphasized that the Chinese mainly trust family members, as well as close friends. The term *guan-*

*xi*(self of interpersonal relation) forms and builds upon the basis of congenital blood connection and acquired attachment. On the issue of trust, the Civil Society Index Report (NGO Research Centre, SPPM, Tsinghua University 2006) concludes, with reference to Sun Yat-sen, that “what works essentially is not the relationship itself, but the emotional ties of the ‘Guanxi’. Hence it may be suggested that within the Chinese context social trust may be characterized as ‘relative’ trust. How much people trust each other is highly dependent on the relationship between them.” However, the report also states that “in general, social trust is rather low” (NGO Research Center, SPPM, Tsinghua University: 43).

China is undergoing a process of rapid modernization and social transformation. The gradual erosion of the *danwei* (traditional work unit) and *hukou* (household registration) systems is giving way to new modes of social interaction and new kinds of organizations. Professional networking and horizontal ties are becoming more important. People are adjusting to modern professional lifestyles characterized by frequent changes in work place and extensive travelling. New kinds of neighbourhood committees and alumni organizations as well as agricultural cooperatives and self-help, user, and consumer groups have already emerged. It is still too early to predict how many Chinese will adopt new ways of living and develop solidarity and trust beyond their families and their closest circles of colleagues, neighbours, and friends. Particularly in urban areas, however, it looks as if change is on its way.

## **(2) The Challenge of Building Trust in a Diverse Landscape of NGO Activity**

In many countries and regions the NGO sector is in transformation. Many new service providers and advocacy groups are emerging or are enlarging the scope of their activities. Different kinds of hybrid organizations exist, such as organizations that are mission-driven but use market mechanisms to achieve their goals, business entities that engage in social investment, and organizations that are simultaneously fulfilling public duties and engaging in social or commercial activities. Many combine informal and formal structures, permanent and periodic structures, and some may combine legal and quasi-legal activities.

In China, the Communist Party state shows interest in civil society. While holding on to the reins of power, it also wants its citizens to be politically and socially engaged in independent organizations (Kuhn 2006). China has witnessed the development of many hybrid organizations, partly due to its unconsolidated legal and regulatory framework for NGOs. The development of a comprehensive legal framework is lagging behind the pace of social development.

The landscape of NGO activity in China has become more and more diverse. Officially speaking, there are three types of civil society organizations within the Chinese context, all of which are called “civilian non-state organizations” (*minjian zuzhi*). These are *social organizations* (*shehui tuanti*), which are membership-based entities; *foundations* (*ijinhui*), which are fund and asset based; and *civilian non-enterprise units* (*Minban fei qiye danwei*) – such as private schools, non-profit hospitals,

and social service agencies – which have a public-interest objective (NGO Research Center 2006).

Among the major challenges is the limited breadth and, particularly, depth of regular citizen participation in civil society activities. Individual non-partisan action appears to be sporadic, and can be particularly noted in the form of petition signing.

However, the number of registered NGOs has constantly risen and amounted to 380,000 by the end of 2007. This total includes more than 210,000 social organizations; more than 160,000 civilian non-enterprise units; and more than 1,200 foundations, including approximately 400 privately initiated foundations. The number of registered NGOs has been growing by approximately 10 per cent per year despite the restrictive regulatory and administrative features that affect small and privately initiated organizations in particular. At several meetings with German government officials in the year 2007, Huang Haoming, the CEO of the Chinese Association for NGO Cooperation (CANGO), compared the recent growth of the NGO sector with the growth of the Chinese GDP, emphasizing, with a nudge and a wink, that the Chinese government aims to keep growth at a level that can still be managed and controlled by the government. Today, the landscape of mutual- and public-benefit oriented organizations, both large and small, with local, regional, national, or international outreach capacities includes many different kinds of organizations. Table 1 provides an overview of the different NGOs according to the typical level of state or party influence and control over their internal governance.

| Table 1: Chinese NGOs, listed according to the typical level of state/party influence and control over internal governance |   |  |
|--|---|--|
| Low level of state influence and control   | Medium level of state influence and control     | High level of state influence and control  |
| Local sports clubs   | Educational and research organizations          | High-level sports committees, such as National Olympic Committee   |
| Alumni organizations   | Environmental organizations                     | Mass organizations, such as All-China Women's Federation, All-China Federation of Trade Unions, Communist Youth League |
| Industry and professional organizations, such as bar associations  | Indigenous groups and minorities' organizations | Major government-organized NGOs (GONGOs), such as China  |

|  |                                    |  |
|--|------------------------------------|--|
|  |                                    | Charities Foundation,<br>China Youth Development<br>Foundation |
| Social service<br>organizations              | Student and youth<br>organizations | Village and<br>neighbourhood<br>committees                     |
| Nature conversation<br>groups                | Religious organizations            | Trade unions   |
| Culture- and art-<br>promoting organizations |                                    |  |
| Community-level groups<br>(burial societies) |                                    |  |
| Mutual savings<br>associations               |                                    |  |

(authors own compilation)

Colloquial language in China often distinguishes between GONGOs (government-organized NGOs) and grassroots NGOs. However, the “middle field” of NGOs is somewhat lacking in the country. There is a significant number of larger GONGOs and smaller grassroots organizations, but there are few privately initiated and independent organizations that have grown beyond the level of 15–20 staff. The lack of financial, human, and infrastructure resources is a key constraint to the work of many NGOs. Many smaller organizations depend on a single resource such as an international donor or government subsidies.

The two flagship environmental NGOs, Friends of Nature and Global Village of Beijing, and the Amity Foundation in Nanjing, which was created by Chinese Christians in the mid-1980s, are some of the few exceptions.

Religious organizations must follow a special registration procedure under the regulations for religious affairs that were enacted by the State Council in 2005 and apply to all of the five officially recognized religions (Buddhism, Taoism, Protestantism, Catholicism, Islam). Religious activities that are embedded in or affiliated with the officially recognized religious and confessional institutions are tolerated and protected by the authorities, but many smaller groups, including the Protestant house churches and missionary activities, experience problems with the authorities. Groups considered to be cults, such as The Shouters and The Disciples, two secret underground Christian-oriented cults, are not tolerated.

It is becoming more and more difficult for the Chinese government to promote, control, monitor, and evaluate the growing number of NGOs. While the Chinese government has recognized the advantage of private certification and standardization agencies in industrial development, it has yet to fully grasp the concept of independent monitoring in the social sector. The establishment of the

legally independent China Charity and Donation Information Centre (CCDIC) and the launch of the CCDIC Local Charity Index project, which is supposed to collect information on numbers of NGOs, NGO fund-raising, volunteer recruitment, and government-NGO cooperation, may be regarded as signals of a more progressive approach toward the monitoring and supervision of the NGO sector in China.

### **(3) Alternatives for NGO Regulation: State Regulation, Self-regulation, or Independent Certification and Accreditation**

How much do laws and official regulation matter for building trust in the work of NGOs? What conditions need to be in place so that people are willing to share and give away their resources? What influences people to share or donate resources?

Examples of daily life are useful for illustrating how people make decisions. You probably would not loan your car to somebody unknown to you just because there is a set of traffic rules in your country. Even if the person had a valid driving licence, you would probably still hesitate to give your car to him or her. He or she could have obtained the licence several decades back and not updated his or her knowledge and skills since. The most important aspect in your decision to lend your car would probably be the trust factor, and the best way to build trust is to know and to personally experience someone's conduct.

The same is true of organizations, especially smaller ones. People donate to organizations and people they know from personal experience. Another reason for trust is a special status or a specific recommendation issued by an independent authority.

Thus, a sound regulatory framework is a basic but not entirely sufficient condition for promoting NGO development. The People's Republic of China has not yet established a consolidated and well-implemented legal and policy framework for NGOs. It is, however, currently reviewing the existing regulatory framework. This process has led to the drafting of new laws and regulations. The Ministry of Civil Affairs (MoCA) has invited national and international expert opinion on several occasions in recent years. Beijing University and Tsinghua University have formulated recommendations for how to reform NGO regulations. However, the authorities have so far shown reservations with regard to recommendations that propose the easing of registration procedures for smaller organizations.

Some progress has been recorded in China in moving towards the rule of law. However, there is still a lack of legal certainty and a tendency towards overregulation and state control of the NGO sector that stifles the further development of NGOs, especially smaller grassroots organizations initiated by citizens and those with international contacts.

An essential requirement for a Chinese NGO to become registered is the formation of a partnership with a governmental or parastatal/paragovernmental leading/sponsoring unit, the so-called "mother-in-law" (*zhuguan bumen*), which has absolute discretion over whether or not to allow the organization to apply for

registration. This applies both to membership-based organizations and asset-holding foundations. The requirements for civilian non-state, non-commercial enterprises also stipulate a registration and sponsorship agreement, typically with a local Bureau of Science and Technology. However, these are widely considered less burdensome than the regulations for associations (*shehui tuanti*) and foundations. The (provisional) 1998 regulations for membership-based organizations require 30 persons or 50 institutional legal persons in order to start an association. The (provisional) regulations for foundations, issued in 2004, require national fund-raising foundations to possess 8 million yuan as capital. In comparison, the capital requirement for foundations at local- and regional-level organizations is significantly lower.

Since the year 2005/06 a new charity law has been under preparation, and the drafting committee of the MoCA formulated a draft in 2006. It is meant to be an overriding legislation which dwells on the concept of public benefit and includes some regulations for fund-raising and volunteering. According to expert opinion from the NGO Research Center of Tsinghua University and international experts, the draft would still need some improvement in terms of consistency with other legislation. It is also still doubtful that smaller NGOs will be able to comply with all aspects of this new law and obtain charitable status. Laws and regulations need to be properly designed, implemented, and observed. However, the actual conduct of organizations is the most important factor in building enough trust to mobilize funds and recruit volunteers. Laws and regulations are only one of several factors necessary to stimulate the good conduct of organizations; others of a more informal nature are voluntary sets of principles and codes of conduct.

Government efforts alone are not enough to build trust in the society. In addition to state regulation and oversight, NGO self-regulation and independent monitoring are highly recommendable. The government administration lacks sufficient resources and capacity in social service delivery, standard-setting, and monitoring in various sectors. Government's desire to maintain effective control over NGOs has not been matched by its capacity to enforce its policies. Some industrial associations have been established in recent years to perform standard-setting and monitoring work among their members. In a similar vein, NGO monitoring and evaluation work can be delegated to the NGO sector in order to ease the government's supervision and monitoring burden. Government policies and the state administration face the dilemma of promoting and controlling the NGO sector at the same time. The growing number and diversity of NGOs makes the task of monitoring and evaluating these organizations and their activities more difficult. Rapid law making may not be desirable in a political environment still characterized by a lack of trust toward NGO activities.

There are various options available for promoting trust. Personal relations, patronage by well-known personalities, and advertising campaigns may be considered the classic trust-promoting initiatives. More formalized ways to promote trust include the following:



- Codes of conduct and charters by NGOs and networks
- Peer reviews
- Awards
- Indexing and ranking by independent research, media, or NGO institutes
- Specific self-regulation and inspection mechanisms formulated by network association or apex body
- Fee-based monitoring and accreditation by independent foundation, with or without public subsidies and by internal or external inspectors (multi-stakeholder character)
- Public agency or state-organized monitoring
- Legal and regulatory provisions

Direct governmental regulation has long been seen as indispensable in solving the problem of asymmetric information. However, the emergence of certification and self-regulatory systems over the past 30 years suggests this may not actually be so. Instead of imposing direct regulation, the government might be more effective by helping to establish a certification system, possibly including for-profit certifiers (Myslivecik 2007).

Ortmann (2008) has written about the advantages of independent certification systems over self-regulatory arrangements. With reference to Shaked and Sutton (1981), he argues that the self-regulating profession has an incentive to increase its income by restricting entry. With reference to Kleiner (2006), he points out that there is ample empirical evidence that the effect of self-regulation on quality may be weak or even non-existent in certain professions when compared to certification. Trustworthiness may be eroded through misrepresentation in fund-raising solicitations, the use of funds for other purposes (cross-subsidization), and similar violations of accountability and transparency.

This paper will not dwell further on the different options for regulation, self-regulation, and certification. It will, however, highlight some aspects of NGO conduct that are typically covered by regulatory codes and independent certification systems.

The ultimate objective of promoting trust among the general public, media, donors and potential donors, and government administrations is to be achieved by avoiding fraud and the misappropriation of public and donor funds, by promoting ethical advertising and good fund-raising practices, by designing appropriate governance structures and appointing competent members, by building cost effective management structures, and by promoting transparency.

According to online research (see in particular: [www.icfo.de](http://www.icfo.de)) undertaken for this paper, typical aspects covered by codes of conduct and accreditation or certification systems include the following:

- Ethical conduct in advertising and fund-raising (funds used for advertised purposes, fact-based advertising, reasonable marketing expenses, ethical and lawful fund-raising practices)
- Financial transparency and accountability
- Annual reports; public access to reports, statements, and figures and percentages of marketing costs; auditing
- Internal governance and control (functional and personal separation of powers in organization, separation of supervisory and operational levels)
- Provision of information to the public

#### **(4) Institutional Options for NGO Evaluation and Certification**

This section will focus on institutional options and arrangements for launching certification. Myslivecek (2007) defines a certifying organization (CO) as “an external agency that sets required quality for a certificate, tests the charities that apply for a certificate and advertises the existence and ‘quality’ of such a certificate. Each applicant pays a fee set by the CO, regardless of the result of his application. Donors learn about the existence of a certificate and required quality via advertising by the CO.”

International examples of NGO certification, evaluation, and monitoring agencies are diverse in their sources of income, monitoring and accreditation procedures, and internal governance mechanisms. However, some common patterns emerge: independence from fund-raising NGOs and government authority, substantial monitoring procedures, adherence to financial accountability and auditing standards, transparent governance and no conflict of interest, and operation by professionals rather than volunteers.

Each model has its distinct origin and operational challenges. For example, although the Deutsches Zentralinstitut für Soziale Fragen (DZI) [English translation of name should also be provided – since it’s already cited above, only the English name (with the acronym in brackets) would be adequate] has become a role model and an active participant in the international arena in promoting NGO accountability, it took seven years for the German certification scheme to develop from conception to establishment. Initial goodwill in the NGO sector and government support will not ensure ultimate success if there is not enough time or opportunity for stakeholders to air their concerns and test the relevance of the certification approach. Larger and more prominent organizations as well as small and relatively unknown organizations tend to be most sceptical about the added value of an independent accreditation system. While larger organizations tend to believe that their established brand name is adequate to maintain trust and that they do not need to join an accreditation initiative, smaller organizations may consider some criteria as obstacles to their fund-raising practices or informal ways of conducting their operations. Smaller organizations may also shy away from the fees and administrative

procedures. Such observations have been voiced by experts from the DZI with reference to the attitude of the German Red Cross and made during meetings with NGOs in Germany, China, and other countries.

In Germany, the DZI operates a widely recognized certification system for fund-raising NGOs. The DZI, founded in 1893 by citizens, obtained the status of public-benefit foundation in 1957 with five host organizations: the government of Berlin (Senat), the Ministry of Family Affairs, the German Industry and Trade Association (DIHK), the Federation of German Cities (Deutscher Städtetag), and the Task Force of Welfare Service Providers (Bundesarbeitsgemeinschaft Freie Wohlfahrtspflege). The DZI receives public subsidies for an array of activities including the most comprehensive library and database on social policy and social work in Germany and the publication of both a magazine called *Social Work* (since 1951) and the *Annual Fundraising Handbook (Almanach)*. It is the guardian of fund-raising standards in Germany and has operated a fee-based certification system since 1993.

Approximately 225 organizations have the DZI seal of approval, and four lost it in the first half of the year 2008: Deutsches Komitee für UNICEF e.V., Förderkreis – Krebskranke Kinder e.V., PINA – Hilfe für Sri Lanka e.V., Universal-Stiftung Helmut Ziegner.

In comparison, with less reliance on government subsidies, Stiftung ZEWO Switzerland [English translation of organization name needed] was founded as an association in 1934. However, it became a public-benefit foundation in 2001 in order to make it more independent from its member NGOs. It has operated a certification system which includes a seal of approval since 1940. The ZEWO system administers a fee-based certification model, uses external professional inspectors, and offers a range of benefits to its members such as discounted advertising rates with media groups. ZEWO has awarded its seal of approval to approximately 475 foundations and public-benefit associations operating in Switzerland.

In the Netherlands, the Dutch Centraal Bureau Fondsenwerving (CBF) [English translation also needed] was established in 1925 and began certification activities in 1995. Forty per cent of CBF's income comes from government and EU subsidies while the rest consists of fee collections. CBF focuses on national and supra-regional fund-raising institutions and has awarded its seal of approval to approximately 200 organizations. The CBF also engages in information and publishing activities. For example, it publishes an annual almanac that features those charities awarded the seal of approval.

A further example is the Philippine Council for NGO Certification (PCNC). It was established in 1997 by six of the country's largest national NGO networks in response to the government's tax reform, which challenged the financial accountability of NGOs providing disaster relief and humanitarian aid. The reform was a response to rising concern by the government and growing public mistrust in the role of NGOs in the Philippines. Golub (2006: 94) refers to widespread abuse of the tax system by politicians and other wealthy individuals who have exploited the tax-deductible and

tax-exempt status of NGOs by setting up fraudulent organizations. Another issue was the growth of criminal networks and terrorist organizations. A memorandum of agreement between the government and the PCNC authorized the PCNC to accredit NGOs applying for donor funding as long as these NGOs meet the standards set for receiving the certificate. This served as a new model of partnership between the government and the NGO sector.

The Alternative Law Research and Development Centre, Inc., a Philippine NGO, has criticized the PCNC for imposing political and bureaucratic constraints on NGO work. Golub (2006: 103), however, arrives at a positive conclusion regarding the work of the PCNC, arguing that "even if not perfect, the organization and its process are preferable to a process controlled by the government. The PCNC is not yet a member of the International Committee on Fundraising Organizations (ICFO), but its model is one of the most developed and successful mechanisms of NGO certification (see also: <http://www.pcnc.com.ph>).

The DZI, ZEWO, and CBF are all active members of the ICFO; the PCNC is still considering and preparing for membership. Accrediting bodies in numerous countries joined together within the ICFO in 1958. The organization helps to harmonize accreditation procedures and standards and acts as an international forum for discussion and debate on accreditation issues. It was formally incorporated in the Netherlands as a Dutch association, a not-for-profit organization, in September 1990 and has two types of members: ordinary members, organizations that monitor fund-raising bodies, and supporting members, individuals or organizations that support the aims of the ICFO and wish to take part in meetings and the exchange of information.

The ICFO has developed a set of international standards for good governance and management for international non-governmental and not-for-profit private organizations that raise funds from the public for charitable or public-benefit purposes, either directly or indirectly through subsidiary bodies.

The standards cover five key areas of activity:

- Membership and responsibilities of the governing body
- Fulfilment of public-benefit goals
- Fiscal control, management, and reporting
- Fund-raising practices
- Provision of information to the public

Two organizations from mainland China participated in the annual meeting of the ICFO in 2008: the Chinese Association for NGO Cooperation (CANGO), a network and training organization for NGOs with a mandate to liaise with foreign donors, and the China Charity Donation and Information Centre (CCDIC), which has within a short period grown to an organization of 20 staff operating as a legally independent organization under the umbrella of the MoCA.

The CCDIC was established in October 2006 and officially launched by the MoCA in February 2007. The CCDIC is mandated to collect information from various sources, including the financial division of the MoCA, media reports, the annual reports of NGOs and foundations, and non-profit organizations (NPO). The centre aims to produce evaluation criteria for the non-profit sector and is an independent not-for-profit legal entity under the professional supervision of the MoCA. This independence was intended to reduce the “government image” of the centre in the eyes of various stakeholders in the NGO sector as the organization aims to provide a “third-sector” platform for NGO information sharing and capacity building in the future. The other reason for establishing the CCDIC was to advance the promotion of “charity” and “public benefit” beyond mere disaster relief efforts.

ICFO members demonstrate a lot of variety in the way they work and in what they monitor, but their objectives are more or less the same: helping or supporting the fund-raising charities by making the public (potential or actual donors) feel more confident in them. In China, the development of fund-raising NGOs is much more a recent phenomenon compared to other ICFO member countries. Yet there are positive signals encouraging donations for public-benefit purposes. With the adoption of the Enterprise Income Tax Law in the National People’s Congress session in March 2007, tax-paying domestic companies can deduct donations of up to 12 per cent of their taxable income, up from a mere 3 per cent. Conversely, for foreign-owned enterprises which could originally donate up to 100 per cent of their taxable income and have it treated as a deductible expense, the situation has changed significantly as donations are now only deductible up to 12 per cent of taxable income.

Given the rather restrictive NGO management framework in the PRC, one may question the point of investigating standards to enhance the accountability of NGOs. It is important to note that the development of monitoring/certification mechanisms is valuable for improving the image of and public knowledge about NGOs. It will help avert excessive drives for government regulation. The sooner China’s NGOs concertedly explore accountability-building mechanisms, the easier it will be for the NGO sector to communicate more confidently with government and potential donors. Some local governments have already begun pilot studies with local social organizations to address monitoring, evaluation, and accountability issues, for instance, in Qingdao.

## **(5) Conclusion**

Given the current situation in China and the nervous behaviour of some of the state authorities in view of the sixtieth anniversary of the PRC in 2009 and the forthcoming twentieth anniversary of the Tiananmen massacre, it seems unlikely that the government will become less restrictive towards NGO activities, especially those addressing sensitive topics such as human rights and other kinds of critical advocacy work. Even in the mid-term, having the government take the lead in steering and providing initial support in NGO evaluation and certification seems unavoidable.

However, this does not rule out the possibility that China will adopt a modern, and less authoritarian and state-centred approach of dealing with NGOs in the future. Chinese authorities have begun to recognise that monitoring and evaluating the governance structure, the financial performance, the fund raising activities and the project work of a growing number of NGOs exceeds the capacity of state agencies. International cooperation can contribute to expose Chinese NGO experts to the advantages of independent evaluation and certification systems that function under a consolidated regulatory framework.

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