

# Development Paths, Problems and Countermeasures of Chinese Civil Society Organizations

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## Abstract

Although the process of reform and opening-up accelerates continually in China, the speed of development for Chinese Civil Society Organizations (CSOs) is still slow; most organizations still operate under the government shadow and it is very difficult to cut relations with government. The autonomy of Chinese CSOs, to a large extent, is affected by the constraints from government. Overall, Chinese CSOs are still in their infancy, and they need to be further perfected and developed. The aim of this paper is to present a review of the field, with issues and promise identified. Specifically, the paper focuses on the internal management of these organizations and their existing problems in the development process, and some potential solutions for CSOs' future development.

## Introduction

Since reform began in 1978, with the growth of the economy, Civil Society Organizations (CSOs) have been developing quickly and have improved in quantity, scale and quality. Civil Society Organizations (CSOs) in China fall into three legal categories: Social Organizations, Civil Non-enterprise Institutions, and Foundations. In addition there are a great many informal grassroots organizations. By the end of June 2014, there were 561,000 registered CSOs in China, including 294,000 Social Organizations, 3,736 Foundations, and 264,000 Civil Non-enterprise Institutions. They cover a broad service area including education, scientific research, health care, welfare, culture, art, environmental protection, social services, among others. CSOs have become an important social force in promoting civilization and progress in China. The bulk of formal, registered nonprofit organizations carry out a social service function and receive public benefit status. They are increasingly valued by

government and society alike. This paper will focus on these domestic organizations, which

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represent a rapidly growing sector within the highly complex and dynamic Chinese civil society. These Social Organizations are playing a more prominent role in Chinese public service and they are being accorded greater social responsibility within Government policy. However, Social Organizations also face more and more deep problems in this rapid development process. These include both external environment problems deriving from state control and regulations, but also internal management problems as these rapidly developing organizations seek to establish sustainable internal structures and processes in order to meet their mission. The focus of this paper is not on the wider political environment per se, but on the major management and governance issues within these organizations as they struggle to develop their own sustainable development capabilities and self-management ability.

### **The Political Context**

The Chinese State is moving in two apparently contradictory directions with respect to civil society organizations. On the one hand there are clear moves towards liberalization and growing support for an independent sector, particularly related to social organizations providing domestic welfare and public benefit services. On the other hand there are increasing restrictions against what are perceived to be foreign interests within civil society, and against those organizations seen as a threat to social cohesion, particularly those organizations concerned with advocacy, labor rights, religion and ethnic minorities. Two major pieces of new legislation are the Charity Law and the Overseas NGO law (both expected to be ratified in 2015). In 2014, the third plenary session of the 18th CPC Central Committee put forward a plan to stimulate social organizations' vitality and in 2012, former President Hu's report at 18<sup>th</sup> Party Congress also said '...a system of modern social organizations in which functions of the government are separated from those of social organizations, rights and responsibilities are clearly established, and social organizations exercise autonomy in accordance with the law...'. In other words, to strongly cultivate and develop social organizations is an important issue in China's future social and economic comprehensive development and innovative social management system construction. However this must be seen within a frame of strong national identity and resistance to unwanted foreign intrusion into the affairs of Chinese civil society. The Chinese state is concerned about influence from overseas organizations and their impact on social stability and national security. Consequently, new regulations are simultaneously improving the

independence and efficiency of CSOs, while nonetheless retaining tight state control over the form and operation of these organizations

Traditionally, the main development path for new Social Organizations has been very top down, meaning that the development and growth of Chinese CSOs were driven by government or the relevant departments in the government, at both the national and regional, provincial levels. Thus, the relationship between CSOs and government shows the feature of dependence and control (Zhou 2014). In China, a number of social organizations are directly founded by the Party and government organizations at all levels, or transformed from the Party and government institutions, or founded by former officials from the Party and government and those famous people who have close relationships with the Party and government.

Traditionally China has adopted a Dual Management System, which means if CSOs want to obtain legal status, they needed to obtain the consent of the department of the government which is finally responsible for government services in the area of operation (often known as ‘the mother-in law agency’) as well as formal registration with the Civil Affairs Department. In fact, this Dual Management System has been the biggest obstacle to current Chinese CSOs’ development (Jia et al. 2001). Specifically, on the one hand, it provides a system guarantee for relevant authorities to integrate the work of the social organization within the department’s mission. On the other hand, it also sets up institutional obstacles for meeting wider social demands. The Dual Management System was also designed to ensure only one association could operate within a given industry space. This gave some official-run organizations a monopoly advantage over resources, thus limiting orderly competition. However, since 2004, China has been experimenting with modifications to this regulation within various provincial and municipal jurisdictions and since the 18<sup>th</sup> Congress (2014), China has moved to a ‘Direct Registration System’ so that organizations do not need to find any administrative body (mother-in-law) to rely on for establishment purposes.

Overall, from the perspective of relationships between top-down CSOs and government, there are three main functional forms provided by CSOs: (1) the supplementary form: CSOs provide a supplementary form of public policies, in such policy areas as diplomacy, agriculture, environmental protection; (2) the coordination form: CSOs provide a coordination service, helping government to supervise relevant industries such as metallurgy,

and textile; (3) the implementation form: CSOs may assist with the implementation of government policy in fields such as women, labor, the disabled and similar social welfare fields.

There is an alternative pathway to the establishment of CSOs. The bottom-up development path means CSOs are established independently from below and such establishment and its development mainly rely on social or civilian power. These organizations have not been formally registered with the Civil Affairs Department. A typical example is industry associations which grew rapidly in Wenzhou in 1980-1990. The CSOs, on such a growth path, are often associated with the development of the market economy and economic and social democratization related to its development. It is a product that is created by a well-organized economic process, social process, even political process for citizens.

In the process of bottom-up growth, Wang and Jia (2014) claimed that there are eight kinds of non-registered CSOs that are developing quickly. They are: (1) elite organizations with a broad mass base, e.g. global village, friends of nature; (2) independent think tanks, e.g. Unirule Institute of Economics, South-North Institute for Sustainable Development, China Development Institute; (3) volunteer organizations based on an urban community; (4) expert groups which reply on a university to conduct public consultations; (5) organizations for the weak and special groups, e.g. the welfare organization for the disabled people; (6) college students' organizations with university background and concern for society; (7) spontaneous industry groups, which arise from the market economy; (8) public organizations, which go deep into the grass-roots level in rural areas.

The two kinds of development path above-mentioned actually reflect the difficult situations that Chinese CSOs are facing in the development process, and this indicates that Chinese CSOs are still in their infancy, and they exhibit transitional characteristics (Zhang 2013). Many CSOs have an unclear status, being both part of government but also separate from it. The phenomenon, 'the duality of both being officials and people', has become the typical characteristic of CSOs' status in China. According to a survey of 99 clubs and organizations in Xiaoshan, Zhejiang Province, Wang et al. (1993) pointed out that 'the duality of both being officials and people' is the basic feature that most of Chinese CSOs have during the actual operation and such a feature makes Chinese CSOs fully play a role as social intermediary. This is quite different from the 'bridge' positioning role of CSOs which places emphasis on

the close relationship with the people and their capacity to act as ‘messenger’, providing feedback from the people to government (Zhang 2013).

As a consequence, a large number of CSOs find it difficult to be truly independent from government’s control, especially those CSOs which are involved in the legal registration system, and still retain the color of government or the institution. Some independent, non-registered voluntary organizations are excluded from the legal system and their scope of operation is limited. This confused and ambiguous status has led to some serious governance problems which influence the organizations social credibility.

### The Existing Problems of Chinese CSOs Development

**Table 1 – The Main Problems Chinese CSOs Face**

<b>Types of problem</b>	<b>Percentage (%)</b>	<b>Rank</b>
Out of funds	41.4	1
Lack of space and office equipment	11.7	2
Lack of talent	9.9	3
Insufficient support from government	8.5	4
Management problems within organization	7.5	5
Lack of information, communication and training opportunities	5.2	6
No social responses about additional activities	3.6	7
Imperfect relevant law and regulation	3.4	8
Lack of projects	3.0	9
No problem	1.8	10
Large administrative interference from government	1.1	11
Others	9.3	

Source: Deng, G.S. 2001, ‘Preliminary Analysis of Chinese NGO Questionnaire Survey’, in Wang, M. (Eds) *Research of Chinese NGO: Case Study*. UNCRD.

Compared with the western mature civil society, the development of CSOs in China is still in its ‘infancy’ stage, and they still face many problems and bottlenecks which need to be improved if development is to continue. According to ‘Chinese NGO Research’ published by Tsinghua University NGO Research Center in 2000, major problems were government and social group incorporation, lack of funding, poor capability, and a defective legal system creating major bottlenecks and restricting the development of Chinese CSOs. Deng (2001) analyzed the main problems that Chinese CSOs were facing in a ‘Nationwide Survey’ (see table 1 below). While this data reflects the situation in 2001, it provides a benchmark for

identifying areas of necessary progress in the modernization of the governance of CSOs in the intervening decade. Indeed many of these problems appear to still exist in 2015. This paper will examine five main problems that Chinese CSOs are currently facing.

### ***Financial resources***

At present, the major performance indicator showing insufficient capabilities of Chinese CSOs is insufficiency of funding. Like western CSOs, organizations lack funding and their reliance on a single source of funding is one of the ‘bottlenecks’ in restricting the development of CSOs. Whether the funding comes from the government’s support, or is income from a business run by the CSO or from the social donations, all sources are very limited and the structures for funding are constraining.

Those organizations that are registered show high levels of resource dependency. The financial structure of registered CSOs is usually determined by the supervising government agency, or ‘mother –in-law’ agency. As Ding (2008, p223) notes ‘Where the CSOs do not have a formal financial procedure, the higher-level authorities...arrange funds or resources and also manage these resources and funds’. The organization is thus limited in their operation to the services designated for those funds. In most cases, organizations are limited in their capacity to raise their own funds. Until recently, all public fundraising has been banned.

On the other hand, those unregistered CSOs that have developed from a bottom-up path, experience a typical out-of-system resource dependence. In other words, the main resources of unregistered bottom-up CSOs include people, money, material, assets, and the corresponding organizational resources, which must come from the market, society, overseas and other open competitive sources, thus highlighting two different development roads during the transformation period of China’s civil society. These unregistered organizations have had no Party and government powers involved, and may be susceptible to policy failure and are called ‘edge zones’ (Zhang, 2014).

The establishment of CSOs (especially informal ones) always relies on the elites’ initiative, and media mobilization and various social forces to achieve their development, using all kinds of material resources from the community to develop positive activities towards certain

social problems. They demonstrate the typical diversity, spontaneity and randomness of emerging organizations during the period of transition.

Of particular concern has been the capacity of organizations to access overseas funds. For example, in Guangzhou, it was proposed to ban organizations whose funding came mostly from overseas sources or had close links with overseas organizations. This proposal was subsequently amended to allow such overseas donations, but under strict reporting rules concerning activities, personnel, funding and location for any project involving participation with foreign partners (ICNL International Centre for Not-for-profit Law, 2015).

### ***Human Resources***

The development problem of CSOs in China, in fact, is the problem of organizational self-construction. This has two aspects. First, Chinese CSOs at present lack the capacity to take any initiative on their own; they lack a dynamic mechanism. This is directly related to the close relationship between the organization and a Chinese administrative agency, or ‘mother-in-law’. Many leaders of registered CSOs are retired public servants or other notables appointed by the government. Leaders from the Party and government offices also share the leadership positions in CSOs; this is one of the features of top-down CSOs’ management in China. For instance, China Youth Development Foundation (CYDF) is a product of fission and proliferation from Central Committee of the Communist Youth League (CCCYL) and each Youth Development Foundation at province level is also a product of fission and proliferation from provincial CCCYL. Provincial CCCYL usually appoints a principal to act as a leader for provincial foundation, and the secretary-general of the foundation is selected from cadres of The Communist Youth League at provincial level.

In order to access ‘in-system resources’ and to advance the personal interests of those CSOs, many CSOs are willing to become ‘the second government’, but they ignore their own mission and vision. They are heavily financially dependent on government (Wang 2014). This is why some CSOs have the feature of being government-run and this feature is embodied in three aspects: first, status and identity derive from the government supervising agency; second, the organization’s leaders come from government agencies, and they manage the CSOs with reference to the government's bureaucracy; third, the organization mainly undertakes certain government functions or government-entrusted functions. As a consequence of these factors, many CSOs are simply unable to construct their own strategic

planning initiatives as independent entities. They have low ability for sustainable development, weak competitiveness, poor mobility and lack of credibility.

Perhaps as a consequence of this human resource dependency, there is no or little stable human resources channel and its strength is limited. Activities mainly rely on volunteers or hired retirees for their development. Because of the barriers and disadvantages of the current personnel system including poor organizational compensation benefits, it is difficult to attract and retain high-quality talents. There is little if any access to formal training appropriate to CSO management. Li (2014) pointed out that although CSOs' capability building varies according to their different forms, insufficiencies of funding and human resources severely limit the CSOs' internal governance capability and prevent its development.

### ***Legal Accountability Mechanism***

Despite the apparent strength of regulatory regimes of CSOs in China, in fact there is very poor accountability of the internal governance of most CSOs. From the perspective of law enforcement, existing laws have a strong principle but weak operability, and there is no corresponding judicial interpretation available or specific implementation detail. For example, to investigate and treat illegal CSOs, the legal system only has the macro principles without detailed operating rules. Government only provides some strongly-principled guidelines towards such CSOs as unapproved established specific groups, but there are no explicit legal provisions with pertinence and adaptability. Li (2014) also confirmed that such an imperfect legal system cannot bring any real guarantee to CSOs, but only set barriers to their future development. Second, from the perspective of organizational diversity, there is a lack of special laws aimed at different types of CSOs, which means the management approach in different CSOs is mixed, or even meaningless (Chen 2012). For example, legislation relating to industry associations is still lacking and their legal status and functions of management have no clear special provisions, which results in unclear legal status and confused governance mechanisms. Yu et al. (2002) claimed that the management of the industry associations in China still relied on 'Regulation on Registration and Administration of Social Organizations' and other legal documents of the Party and government offices. They mix industrial associations with other kinds of social organizations and the mixture of multiple management structures creates dilemmas for all concerned and is not conducive to the development of industrial associations. To take another example, while there are detailed prescriptions relating to those social organizations concerning foreign affairs, basic-level

domestic social organizations have no such detailed laws and regulations, which means that the administering government departments ‘have no law’ to obey. So far, there are only the rules and regulations issued by the Ministry of Civil Affairs. Lower level regulation is scattered in various ministries and policy documents, and some rules conflict with each other (Wu, 2014). Moreover, the legislative level of these regulations is often subordinate to other levels of legislation, which means that the nature, position, organizational form, management system, sources of funds, property relations, internal system, the rights and obligations, and relationship with the government and enterprises of various types of CSOs is unclear and contradictory.

### ***Internal Governance Accountability***

There are other reasons why government monitoring of registered CSOs is difficult. The Civil Affairs Department, which is responsible for registration, is often overwhelmed when it faces a large number of CSOs, and the relevant authorities government departments have their own businesses to be in charge of, and they do not have additional time and energy, or willingness to manage CSOs’ daily activities. Besides, relevant authorities departments have complicated relationships with CSOs, which means it is difficult for the former to supervise the latter. As Zhou (2011) noted, insufficient management and monitoring from government may easily result in wrangles and a shuffle among different main bodies, none of which wish to be held accountable for the actions of the CSO.

As a consequence of this lack of clear monitoring responsibility, the CSOs, and especially those that are unregistered, remain in a regulatory vacuum. Supervision from society at large is also absent. There is no independent third party to supervise CSOs. The media is limited in overseeing or investigating CSOs; the public lacks any institutionalized channels to call into account those CSOs which go against their principles. For example, very few CSOs provide public accounts of their financial records (Ding, 2008). Against this background, the supervision of CSOs is mainly conducted by CSOs’ self-discipline, and this kind of single way of supervision will inevitably cause bureaucracy, corruption and misuse of public resources, which reduces the credibility of CSOs and affects their ability to access resources. Chen (2012) stated that from the practical perspective, many CSOs still confuse the question ‘we are responsible for what’ and some of the criteria conflict with each other, especially when the political factors, institutional arrangement, changing mission, competitive values, and assessment strategy are all taken into consideration.

The lack of accountability mechanisms directly impacts the organization's reputation. Reputation is a core asset and strategic management object in CSOs, and, in view of the fact that the products CSOs provide are of non-physical attribute and CSOs bear public responsibility, increments of value of nonprofit activities are much reflected via reputation which is an intangible asset (Zhang 2013). During the time of rapid development of CSOs in China, there inevitably emerged a reputation and trust crisis. For instance, some organizations are under the guise of being non-profit, turned to individual or small group profit. They abused, embezzled or misappropriated various forms of public welfare funds. Some organizations pretended to serve the public interest, but used the organization to gain personal political position in fact. In 2007, a number of scandals emerged in public awareness, including the cartel in the instant noodle industrial association which forced up prices, the 'Guo Meimei' case of the Chinese Red Cross, the 'Shangde' charity fraud of Charity Federation, and the 'Project Hope for Africa Fund' from CYDF. These public cases greatly shook CSOs' public image in people's hearts. Undoubtedly, there are a variety of reasons for the loss of reputation of Chinese CSOs. The three main ones are: (1) the lack of social monitoring mechanism. The products that CSOs provide have (quasi) public service properties; they are intangible and difficult to observe. Therefore, under the condition of information asymmetry, the stakeholders of CSOs find it difficult to control and monitor organizational operation information effectively. (2) the lack of reputation punishment mechanism. In most advanced capitalist countries, CSOs are judged by their reputation with the public. However in China, CSOs form a public service market which is supply-monopolized. Therefore the market has no means of comparative judgment and so the behavior of organizations may become distorted. The market has no way of punishing poor performing organizations. (3) the failure of incentive and constraint mechanisms. Given the lack of organizational internal governance and external incentive and constraint, some leaders and staff in some CSOs are likely to pursue self-interest and bring serious damage to the organization's reputation. The lack of credibility and reputation not only destroys people's good heart for public benefits and the voluntary spirit, but also collapses the moral basis of CSOs, which in turn seriously impacts on the public trust of all CSOs.

### ***Capability and Functional Problems of CSOs***

In sum, Chinese CSOs are weak in functional implementation. Most registered CSOs still continue the traditional way of management, acting as a 'second government' which gets

transferred regulatory power from the government. They do little more than carry out a specific function under direction from their administering department. There are only a few CSOs which are able to do some self-innovations according to market demand. Qiang et al. (2004) took economic mass organizations as an example and pointed out that while the functions of industrial management cross and overlap among government departments and administrative agencies, the function of industrial management in organizations are weakened. Professional management exists only in name, there is a lack of early warning management systems, a lack of macro-control management means, a disorder in self-disciplinary management function and management is not being linked with international practice. Overall, the weak capability of Chinese CSOs and their imperfect functions limit their capacity to participate in social management, and hinder their great contribution of serving society and meeting more social demands (Li 2013; Ren 2014; Yao 2013).

### **Potential Solutions**

Solutions to problems inhibiting the development of CSOs in china have been proposed. To some extent these depend on further liberalization of the legal and registration system imposed by the state. However there is also much that CSO organizations can do for themselves.

### ***Remodeling the Relationship between Government and Social Group***

This mainly means the Chinese government needs to change the traditional government management mode as soon as possible, establish new relationships between government and CSOs, transfer more management functions to the organizations, make CSOs become an important part of social and public governance, and establish a creative pluralistic society management system.

The first step in this process must be the removal of the dual management system, and the creation of a single and broad registration system. In fact, this solution has become fact since the 18<sup>th</sup> National Congress. However, implementation is at an early stage and the future direction is still uncertain. Nonetheless the process is well underway, being led by experiments at municipal and provincial levels. Guangzhou in particular has initiated a number of liberalization policies. Among these is the removal of the requirement of organizations seeking registration to operate through a government 'mother-in-law agency'.

Under the 'direct registration system' CSOs do not need to find any administrative body to rely on for establishment or management purposes. This of course places greater onus on the organization to manage its own affairs. Other regions in China have also been trying to implement management institutional innovations for CSOs, such as 'the Model of Unified Competent Business Unit' in Wenzhou and the 'Association manages Association' model in Anshan. The new measures are expected to be formalized at a national level under the much awaited new 'Charity law'. Under the new law it is expected that more than one CSO will be permitted to register within a given field, thus potentially providing some form of competition between CSO providers. As Wang and Liu (2004) noted, the direction of the reform is to abate the state's dominant force and strengthen social autonomy for CSOs.

Government support is still required particularly for those CSOs that are in the initial stage of development. The government does need to provide material support to assist independent CSOs to actualize their potential development. For example, government agencies may give assets support such as financial subsidies, supportive tax policy and purchasing services to individual CSOs. In particular, the purchasing service is an effective measure in reforming the government support model. It is not only conducive to establishing new government funding mechanisms, but also is conducive to reshaping the new 'contract' relationship between the government and the CSO. Again this appears to be led by Guangzhou, including 'provisional measures for government procurement of services from social organizations' (ICNL, 2015, P15) to encourage social organizations to bid for government projects to provide social services. Guangzhou is also moving cautiously to permit more organizations to obtain permission to engage in public fundraising.

The creation of a suitable legal environment for the development of CSOs plays an important role in promoting healthy growth, especially for the legal status of CSOs and the perfection of related policy and development. This requires both a set of uniform national laws governing all not for profit organizations, but also specific laws to differentiate and support different forms of CSO.

On the one hand, special laws and regulations for all CSOs has the great significance for clarifying the legal status and giving corresponding legal protection for CSOs' operation. Leng and Zhang (2004) thought that from the view of rule-by-law, a major strategy of governing, and the needs of market economy development, it would be necessary to

introduce new legislation, the ‘Law of Mass Organizations’, under the framework of the constitution as soon as possible and formulate various subordinate laws or regulations for mass organizations and industrial associations under this parent law. At present, existing legislation is piecemeal and inconsistent with most areas having no appropriate legislation. Therefore, the relevant departments in the National People’s Congress and government should set out the relevant law and regulations such as ‘Law of Nonprofit Organizations’, to create national norms for the management of CSOs.

On the other hand, it is important to set out different types of laws and regulations for different types of CSOs. The concept of CSOs is a very broad one, and it includes people-run non-enterprise organizations, social organizations, foundations, and so on, and within and between each of these there are major differences in the nature of the organization and therefore their legal requirements. Therefore, the government should differentiate situations and set out special legislations to reflect these differences in order to change the phenomenon of ‘one-law-fit-all’ and guarantee the unique advantages of different types of CSOs. Specifically, on the basis of the existing legislation, China should focus on four aspects of legislation, namely, the law and regulation of public CSOs, the law and regulation of industrial CSOs, the law and regulation of social CSOs and the law and regulation of people-run non-enterprise organization (for which the law and rules have already been set out).

To perfect the relevant laws and regulations relating to CSOs is the only way to promote their development and provide a system guarantee of CSOs’ cultivation and development. As Jiang (2012) confirmed, the management of Chinese CSOs should eventually rely on the perfection of the legal system, especially for the perfection of a national-wide legal system and this is the only way to provide a stable environment for society, which enables CSOs long-term and sustainable development.

### ***The Construction of Appropriate Accountability Mechanisms***

From international experience, while different countries have different monitoring and accountability systems, the social supervision and governance mechanism is always an irreplaceable mechanism, and goes far beyond the limited control provided by government. To strengthen the social accountability and governance of CSOs, there are three main aspects:

First is the public's potential role in supervision and governance. Putnam (1993) pointed out that public participation can promote the development of trust in social life. Therefore, CSOs should allow and encourage citizens to participate in the process of the organization's strategic planning, major decision making and performance evaluation. For instance, they can hold forums for civil feedback to achieve cooperation, dialogue and meaningful construction from citizens, and this makes citizens change their roles from passive people to active participants in the organization's development. You (2013) also believed that public supervision can be conducted via auditing CSOs' financial reports, and receiving information about the CSOs development plans. For this purpose, each CSO needs to help the public understand and accept its social values by a variety of publicity events and make the social supervision channels smooth. In other words, CSOs need to change the public from passive supervision to an active one.

Second, independent third party supervision is essential. In the west, third party supervision is an important institution for CSOs and its role and functions exceed those of government's (Sun 2014). Guo (2012) also confirmed that western countries not only focus on supervision from the public and the media, but also pay close attention to supervision from an independent third party. For example, the National Charities Information Bureau in America provides a multi-form supervision service to society, government and citizens and it provides vital information to donors when they implement donations. Third-party supervision can help stakeholders to effectively reduce the costs of collecting accurate, objective and fair information. Those CSOs, which have obtained recognition through this evaluation process, can not only avoid losing the public's trust due to the reputation scandal of some black sheep, but can also be inspired to improve their working performance and internal governance for sustainability and more certain external donations. Therefore, China should have the consciousness to foster and develop this kind of independent and authoritative third party. This will over time gradually form the situation of 'CSOs managing CSOs' and eventually replace any need for a 'Dual Management System'.

Third, other supervisions may also occur. In addition to the public and third party supervision and governance, supervision from the media and donors is also important. Wang (2012) claimed that the mission of CSOs is to make the public interest come true and in order to keep all CSO activities on track, it is vital to have objective social and media monitoring. Public media is the main channel for the public to access information, and the media has wide

popularity and influence, playing a guiding role and having a deterrent effect. It can bring the strong force of constraint to CSOs' managers. At the same time, donors are those who are both important and powerful in CSOs and they need the power to monitor the appropriate use of their donations.

### *The Self-construction of NPOs*

While the support of government and a legal framework is an essential precondition of CSO development, ultimately it is up to each organization to take responsibility for its own development. Those that rely passively on external agents will be unlikely to achieve their mission. The self-construction of CSOs is the main force for development and reform, and CSOs need to strengthen the construction of their own capabilities. This must begin with the construction of the organizations internal governance. It is easy to emphasize the constraints of self-development in the current system during the process of organizational development. But this can become an excuse to ignore the construction of organizational capability and dynamic mechanism to initiate and improve their internal capacity. Among many factors, an effective internal governance structure is the key and necessary condition for success to the CSOs' capability construction.

Therefore, Chinese CSOs need to perfect their organizational internal governance mechanism, establishing an organizational internal 'policy-making department, executing department and supervisory department' as a three-in-one mechanism to restrain and supervise each other. In particular, the steps include: first, perfect the organization's constitution, clearly defining the mission and vision of the organization. Second, create or improve the organizational system, optimizing the existing CSOs' structure. Third, establish and perfect a governing Board, which is separate from the management of the organization. This forms the organizational internal effective separation of powers and mutual supervision. Fourth, perfect the incentive and constraint mechanism of management in order to attract high-quality talents, and to promote the professional construction in the organization. Fifth, construct the organizations' leadership to ensure that decisions from the Board are rational and to overcome authoritarian and insider control phenomena. For example, we can learn from the experience of corporate governance and introduce a system of independent members for the Board. Overall, Chinese CSOs should pay attention to their internal governance mechanism and optimize their structure in order to strengthen their development capability and the internal system construction.

## Conclusion

CSOs stand at an irreplaceable position in the construction of the socialist market economy in China. However, the deepening of social management system reform and government function transformation, and the CSOs' own short-comings as well as the constraints in external development environment require urgent attention. It is important to understand the current situation and existing problems of Chinese CSOs in order to identify the direction of future solutions so that CSOs may prosper. By attempting these solutions, CSOs may play a bigger and vital role in the social and economic development in China. Undoubtedly, this paper is an overview of CSOs' overall situation and it still needs further cases and empirical analysis to understand the specific way and problems of CSOs' development in China. In addition, there are many different types of CSOs in the Chinese context and each of them has different connotations and characteristics, and different needs. Each type of CSO needs to be explored in the future in order to best understand for each, the development path, the problems and potential solutions of different types of CSOs in China.

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