

In the Shadow of the Government: The Chinese Nonprofit Sector in the COVID-19 Crisis

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Abstract

Nonprofit organizations often work on the front lines of disaster assistance and emergency relief. In this sweeping coronavirus disease 2019 (COVID-19) pandemic, the nonprofit sector in many countries is playing an active role in the national fight against the coronavirus. However, the Chinese nonprofit sector only plays a marginal role in the battle. This article, from a government–nonprofit relationship perspective, delves into the underlying factors shaping the Chinese nonprofit sector’s limited involvement in this pandemic crisis and the impacts of the crisis on the Chinese nonprofit sector. In particular, we argue that a strong and centralized political regime leaves little room for nonprofits’ involvement in emergency relief, resulting in a nonprofit sector that is vulnerable and marginalized. Nonprofits have to be smarter in coping with the government in the COVID-19 downturn.

Keywords

government-nonprofit Relations, Chinese nonprofit sector, COVID-19

Introduction

Nonprofit organizations often work on the front lines of disaster recovery and relief. Due to their community connections, programming flexibility, and charitable motives, nonprofits are well suited to providing effective and timely humanitarian aid and spiritual care to individuals, families, and communities affected by disasters. During the unprecedented coronavirus disease 2019 (COVID-19) pandemic, the nonprofit sector in many countries is playing an active role in responding to the physical, psychological, and spiritual needs of needy individuals and communities. For example, in the United States, many human services nonprofits are expanding key services to meet increased demands for basic necessities as a result of the unfolding COVID-19 crisis (Deitrick et al., 2020). In the United Kingdom, the central government sets out a £750 million package of coronavirus funding for frontline nonprofits to support their vital work (Her Majesty’s Treasury, 2020).

In contrast, the nonprofit sector in China is playing only a marginal role in this pandemic crisis. The national effort to tackle the coronavirus is predominantly led by the government. The job of fighting against the virus and supporting vulnerable people is mostly on the government’s shoulders, while the nonprofit sector has not stepped up as a forceful part of the effort. Interestingly, after four decades of remarkable growth, the Chinese nonprofit sector has significantly increased its size and impact. The sector now includes more than 800,000 registered organizations and provides nearly 10

million full-time jobs (Ministry of Civil Affairs of China, 2019). The contrast between the nonprofit sector’s large size and its limited participation in the fight against COVID-19 is the puzzle we are trying to solve. The goal of this article is to unpack the underlying rationale for the nonprofit sector’s low level of participation in this pandemic crisis and the impacts of the crisis on the nonprofit sector.

The remaining sections are arranged as follows. The next section delineates the institutional environment of the Chinese nonprofit sector, which provides the context for our later discussion. We then provide details about nonprofits’ participation in the relief efforts. Finally, we analyze the immediate and short-term impacts of the coronavirus pandemic on the Chinese nonprofit sector.

The Institutional Environment of the Chinese Nonprofit Sector

The nonprofit sector in China has experienced unique challenges from the authoritarian political regime and strict social regulatory system. Historically, the government

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discouraged nonprofit activities. After the founding of the People's Republic of China in 1949, virtually all aspects of social and political life were dominated by the party-state apparatus for the next three decades. However, the open-door reform in the late 1970s and the transition from a command-based to a market-based economy in particular have led to the regime's retreat from complete control. These political and social changes encouraged the Chinese government to move toward a semiauthoritarian system, leaving some room for nonprofits, especially service delivery organizations, to develop and flourish (Ho, 2007). As a result, the Chinese nonprofit sector has experienced remarkable growth over the past four decades and now engages in a variety of policy fields such as environmental protection, poverty reduction, education, and health care (e.g., Dong & Lu, 2019; Li et al., 2017; Yu, 2016). According to the Ministry of Civil Affairs of China (2020b), which is in charge of nonprofit registration and supervision, as of the end of 2019, there were 866 thousand registered nonprofit organizations in mainland China, representing a more than 300% increase since 2000. These nonprofits engaged 9.8 million full-time workers and received 92 billion RMB donations in 2018 (Ministry of Civil Affairs of China, 2019). Lu and Dong (2018) calculated an average number of 5.42 registered nonprofits per 10,000 people in China.

However, despite the significant growth in the nonprofit sector, the party-state regime still plays a decisive role in its development. Although Chinese nonprofits enjoy a certain degree of autonomy, they often become dependent on the government and function to serve government priorities and policies. Frolic (1997) described the Chinese civil society as a state-led civil society, where the nonprofit sector is created by the government to help manage a rapidly growing economy and changing society. This statement provides a vivid portrait of the unique institutional environment of the nonprofit sector in China. On the government side, the government is concerned about the power of nonprofits and thus seeks to maintain control over the development of the nonprofit sector through various coercive and cooptative tactics. On the nonprofit side, forming a close relationship and cooperating with the government is a strategy to achieve favorable resources and political legitimacy. Nonprofits are thus enthusiastic about building financial and administrative connections with the government and promoting the government's agenda (Ni & Zhan, 2017). Put together, the essence of this unique institutional arrangement is that Chinese nonprofits are often symbols and instruments that depend on and are strategically employed by the party-state regime to achieve governance and social control (Spies, 2011).

This arrangement has three implications for nonprofits. First, although the government allows nonprofits to participate in certain social affairs, it is still skeptical of civil society and thus imposes strict oversight and regulations on nonprofit behaviors. Second, the dependence on the government results in the majority of nonprofits operating with

limited independent capacity and weak infrastructure to advance their missions. Third, nonprofits tend to employ nonconfrontational tactics toward government authorities and follow government agenda and priorities closely.

The Chinese Nonprofit Sector's Participation in the COVID-19 Battle

One consequence of this unique government–nonprofit relationship in the current public health crisis is that the Chinese nonprofit sector has not been mobilized to be an independent and powerful force in the national effort to tackle the coronavirus. Instead, the sector only plays a marginal role in fighting against the virus and serving the needy communities. According to a recent survey of service delivery nonprofits in Beijing, the country's capital, almost half of the nonprofits did not participate in any anti-coronavirus activities. Among the other half that did participate, only approximately 5% of the organizations engaged in frontline work such as case investigation, disinfection, and door-to-door goods delivery (China Development Brief, 2020). The data from 20 online fundraising platforms for fighting against the coronavirus epidemic also report service nonprofits' low participation in these efforts (Fundraising Innovation Development Center, 2020). There are several factors to explain the rationale underlying nonprofits' low level of participation.

First, the party-state apparatus dominates social affairs and controls social resources. This government-led model turns out to be even more prominent in crisis responses where the government can promptly respond and assume responsibility for delivering and coordinating all sorts of efforts to ensure disaster relief and social stability. For example, 2 days after the lockdown of Hubei province in January, the center of China's coronavirus outbreak, the Central Committee of the Chinese Communist Party set up a special committee to lead the national response efforts and sent a steering group to the forefront to coordinate all local efforts. One week after the lockdown, the Communist Party commanded the military to be responsible for transporting and distributing supplies to the citizens in Hubei to satisfy their daily needs. Later on, the party-state regime released a "pairing-up support" plan, mobilizing the other 19 provinces to send medical workers and supplies to aid the 16 cities in Hubei that were hardest-hit by the coronavirus. Under these circumstances, the government would not expect the nonprofit sector to play a substantial role. A strong and centralized government in fact leaves little room for nonprofits to participate.

Second, the government is concerned about truly mobilizing the nonprofit sector, which may lead to the sector being out of the government's control. Although the government allows nonprofits' involvement in the battle against the coronavirus to some extent, nonprofits' behaviors are under government oversight and regulation. For example, shortly after the Hubei province lockdown, the Ministry of Civil Affairs

of China (2020a) announced that all the voluntary activities should obey the leadership of Hubei governments' frontline task force on epidemic prevention and control. In particular, only five local charities with a strong government background in Hubei province were permitted to receive charitable donations relevant to the coronavirus response, and those donations were subject to the unified deployment of the government task force. Furthermore, the Ministry prohibited nonprofits located outside Hubei province from sending staff or volunteers to Hubei until the epidemic ends. As a result of these strict government regulations, the majority of nonprofits have been squeezed out of the response effort.

Third, nonprofits lack sufficient capacity and infrastructure to play a larger role. In a survey of nonprofits in Beijing, when nonprofits were asked why they did not participate in the coronavirus battle, nearly 50% of them cited a lack of resources and capacity (China Development Brief, 2020). In fact, even those participating nonprofits are mostly dealing with peripheral matters such as online fundraising and consulting. In the core areas related to tackling the coronavirus and serving the vulnerable population on the front lines, nonprofits can hardly give substantial help. Indeed, even those five government-backed nonprofits that were considered to be capable of handling donations were initially overwhelmed by the large amount of donations that immediately poured in from all directions. Two of them (Hubei Provincial Red Cross and Wuhan Municipal Red Cross) were severely criticized for their delay and misconduct in distributing donated funds and relief goods, resulting in their officials being removed from office (Hollingsworth & Thomas, 2020). Furthermore, responding to such a large-scale crisis requires collaboration and coordination between nonprofits. Unfortunately, most of the existing nonprofit alliances are pretty loose, making it difficult to pool resources and carry out joint actions that would cause a larger impact.

Putting all these pieces together, we can see that the nonprofit sector inevitably becomes a marginalized force in the national battle against the coronavirus: it is part of the battle, but with limited involvement and under government oversight.

The Implications for the Chinese Nonprofit Sector

While it is too early for a comprehensive assessment of the COVID-19 pandemic's impact on the Chinese nonprofit sector, we can still foresee a series of immediate and short-term impacts based on our observations. First and foremost, nonprofits will be facing significant financial hardships for quite a long time. For the Chinese nonprofit sector, the majority of nonprofit revenue is derived from charitable donations and government contracts. Unfortunately, the coronavirus will cause damage to both revenue sources, creating a level of financial risk that most nonprofits have never experienced.

Charitable donations are surging right now. As of April 23, 2020, approximately 3 months after the coronavirus outbreak, monetary donations have amounted to 42 billion RMB with in-kind contributions of 1.1 billion donated items (Ministry of Civil Affairs of China, 2020c). However, there are two things that nonprofits must take into account. First, the donated funds and goods are typically subject to the government's deployment, and thus will most likely to be used to serve the targets and priorities set by the government. In this way, nonprofits' discretion in resource allocation to serve their own agenda will be limited. Second, the majority of the donations come from businesses. These firms tend to overdonate in the years when the government calls for their support after a disaster occurs, and they reduce donations in the following years. For example, according to the National Bureau of Statistics of China, after the Sichuan earthquake of 2008, which killed almost 90,000 people, national donations reached a peak of 74.5 billion RMB in 2008, with significant drops afterwards (48.4 billion in 2009, 59.7 billion in 2010, and 49.1 billion in 2011).¹ Thus, nonprofits will have to increase their own fundraising to sustain their operations in the near future. However, given the potential economic downturn ahead, fundraising will be challenging in the years to come.

In addition to a decline in donations, government contracts will become uncertain. With the predominant focus on containing the coronavirus, the government's regular contracting process is currently being suspended. Those nonprofits that are working with government contracts at the moment will suffer from a longer delay in government processing and reimbursement. For those typically relying on government contracts for funding, whether and when the government will have a sufficient budget to contract again with nonprofits is largely unknown.² According to the most recent financial data, in the first quarter of 2020, the national public budget revenue was hit badly by the coronavirus pandemic, resulting in a year-on-year decrease of 14.3% (Ministry of Finance of China, 2020). Unlike government contracting practices in many Western countries, government-nonprofit contracting in China is considered a government innovation tool which is employed when the government has slack resources (Teets, 2012). Therefore, it is likely that the government will pull back its level of contracting with nonprofits in the coming months and years.

As a result, many organizations that were supported by donations and government contracts to offer free services are now considering charging service fees and adopting a social enterprise model to sustain their operations. However, like business organizations, nonprofits are being hit hard by the restricted movement and access to people and resources. Even after many cities are reopened, the concern for the virus still affects people's outdoor activities, which disrupts nonprofits' service activities. Indeed, the majority of nonprofits operate on very lean reserves under normal circumstances. The financial damages

brought by the COVID-19 crisis will make the nonprofit sector even more vulnerable. A recent survey conducted by the China Social Enterprise and Impact Investment Forum (2020) reports that 35% nonprofits are now barely maintaining operations, 20% are suspending programs and services, and 13% are considering bankruptcy. Even arenas like environmental protection, which might not be expected to suffer from the current crisis, are affected. A survey of more than 200 environmental nonprofits indicate they also suffer great financial pressures due to maintaining operating costs (e.g., staff salaries and office rent), reduced program income, and delay and default in project execution (China Philanthropy Times, 2020). In other words, the worst may still be ahead. Nonprofits must prepare for a winter that will be cold and long.

Second, what makes the situation even more painful is that a marginalized nonprofit sector can be easily ignored by the policy makers who allocate government support and benefits. To help business organizations weather the difficult times caused by the coronavirus crisis, local governments throughout the country have put forward various policies and programs, such as tax relief and financial benefits, to help small- and medium-sized businesses. However, to our knowledge, no government policy or program specifically supporting nonprofits in the COVID-19 downturn has been formulated. Most government documents concerning the nonprofit sector during the epidemic focus on regulating nonprofits' operations and participation in the epidemic prevention and control.³ In fact, just as in the business sector, most nonprofits in China are small- and medium-sized organizations, operating with limited resources. Thus, they are also highly challenged to maintain programs, generate income, and retain staff under current conditions. Nonprofits indicate four policy areas where they urgently need support, including financial policy, social insurance, unemployment insurance, and rent reduction (China Social Enterprise and Impact Investment Forum, 2020). Without support from the government, nonprofits will find it even harder to face unprecedented disruptions and sustain themselves during these tough times.

Third, public trust in the nonprofit sector will be undermined. Public trust is critical because it relates to the fundamental question of the legitimacy of the nonprofit sector in a society. Specifically, it affects charitable giving and volunteering, employee recruitment, and other tangible aspects of nonprofit operations. In recent years, public trust in nonprofits has been driven downward significantly by a series of scandals surrounding nonprofits' fraud, waste, and abuse in resource management (e.g., the Guo Meimei scandal in 2011) (Wong, 2011). A survey of more than 1,000 Chinese citizens in 2017 reports that nearly 70% of interviewees did not engage with any nonprofits or participate in charitable activities in the previous year, and only 30% of interviewees believed that nonprofits should be the major actor in the

philanthropic arena (Huang et al., 2017). In this coronavirus pandemic, the misconduct of the Red Cross in Hubei province as well as the marginal role the nonprofit sector played in the disaster relief could further lead the public to be skeptical of the sector's distinctiveness and capacity in addressing social needs.

Fourth, a marginalized nonprofit sector implies that government–nonprofit collaboration for better governance becomes harder to form and sustain. New governance theory emphasizes the imperative of cross-sector collaboration in jointly tackling tough social problems (Donahue & Zeckhauser, 2012; Kettl, 2002; O'Leary & Vij, 2012). The Chinese Communist Party has also talked about coordinating with social forces and taking advantages of nonprofit organizations in social governance in recent years (He, 2016). However, the significant power disparities between the government and the nonprofit sector in China could greatly undermine such collaborative efforts. The collaborative governance literature suggests power imbalance as one major challenge in effective collaboration because organizations that are less powerful in terms of resources or legitimacy could be excluded from collaborative processes (Bryson et al., 2015; Peng et al., 2020). A marginalized nonprofit sector may aggravate this power imbalance, making cross-sector collaboration fragile. In Sichuan province, where nonprofit activities are more active than in other parts of China, the provincial government established the Ya'an Service Center for Nonprofit Organizations and Volunteers to facilitate government collaboration with nonprofits and volunteers in earthquake relief and reconstruction after the Ya'an earthquake of 2013. This effort brought together more than 300 nonprofits that joined the collaborative network (Dong et al., 2019). However, in China's coronavirus epicenter, Hubei, where the nonprofit sector is less active, the provincial and local governments fully relied on their own capacity without setting up collaborative mechanisms to involve local nonprofits in their relief networks.

In sum, in the country first to encounter the unprecedented COVID-19 epidemic, Chinese nonprofits have started to suffer enormous impacts related to the crisis. In particular, a strong and centralized political regime leaves little room for nonprofits to participate in the coronavirus relief, resulting in a nonprofit sector that is vulnerable and marginalized. Although it is still too early to predict the full trajectory and impact of this pattern of government–nonprofit interaction during the epidemic, one thing seems to be sure: Chinese nonprofits have to be even smarter in the days to come in coping with a powerful government that can control and mobilize the nation's remarkable resources.

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Notes

1. For more information, refer to the national data on social donations (<http://data.stats.gov.cn/easyquery.htm?cn=C01>).
2. In previous years, the central government typically announced its annual plan on government–nonprofit contracting in February. However, as of April 20, 2020, the plan for 2020 has not been announced. For more information, refer to <http://www.chinanpo.gov.cn/xiangmu/>.
3. For example, the National Audit Office of China (2020) issued an announcement in early February urging local offices to treat auditing financial funds and donations related to the coronavirus prevention and control as a priority.

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