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Government Funding: A Facet of Government-Nonprofit Relations in China

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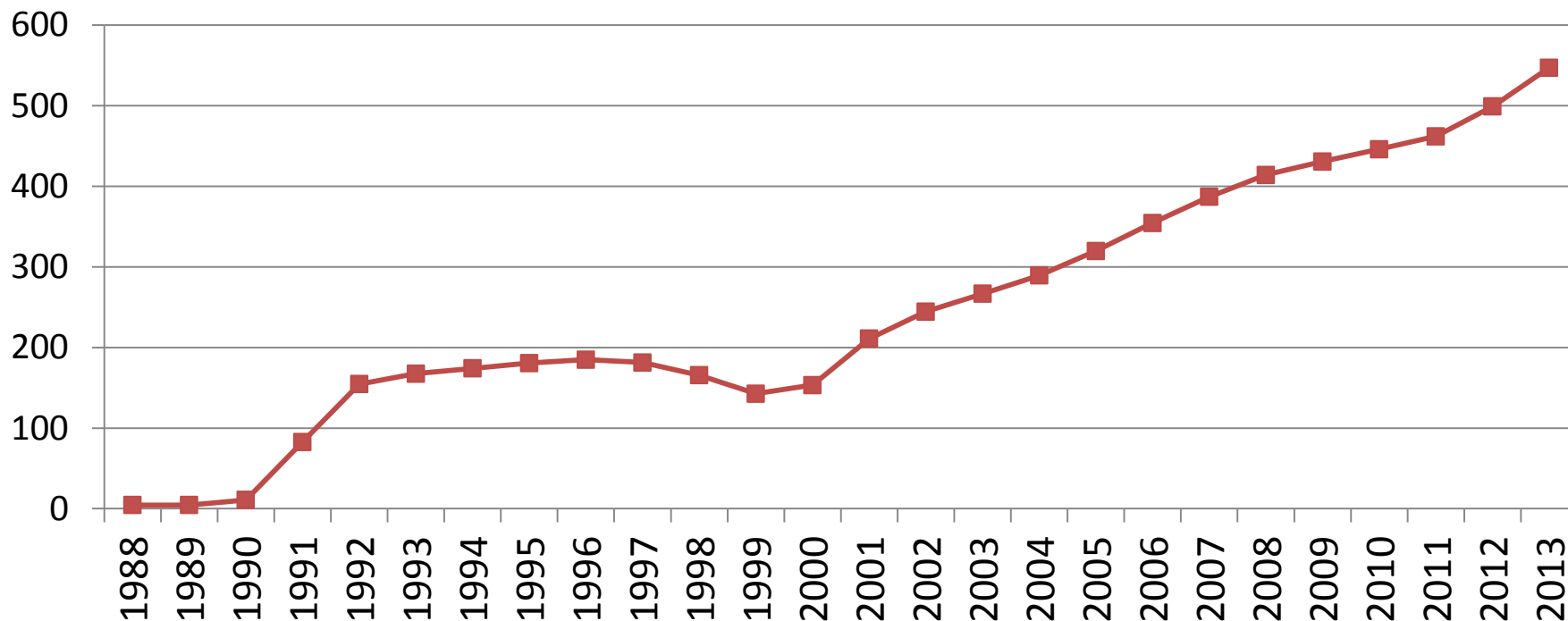


Contents

- Background: the Non-Profit Sector in China
- Government Funding Tools for the Nonprofit Sector in China
- Conclusions



Non-Profit Sector in China: Size and Composition



• **Fig. 1 1988-2013 Registered Nonprofit Organizations in China (in thousands)**

- Sources: 2008 and 2013 China Civil Affairs' Statistical Yearbooks

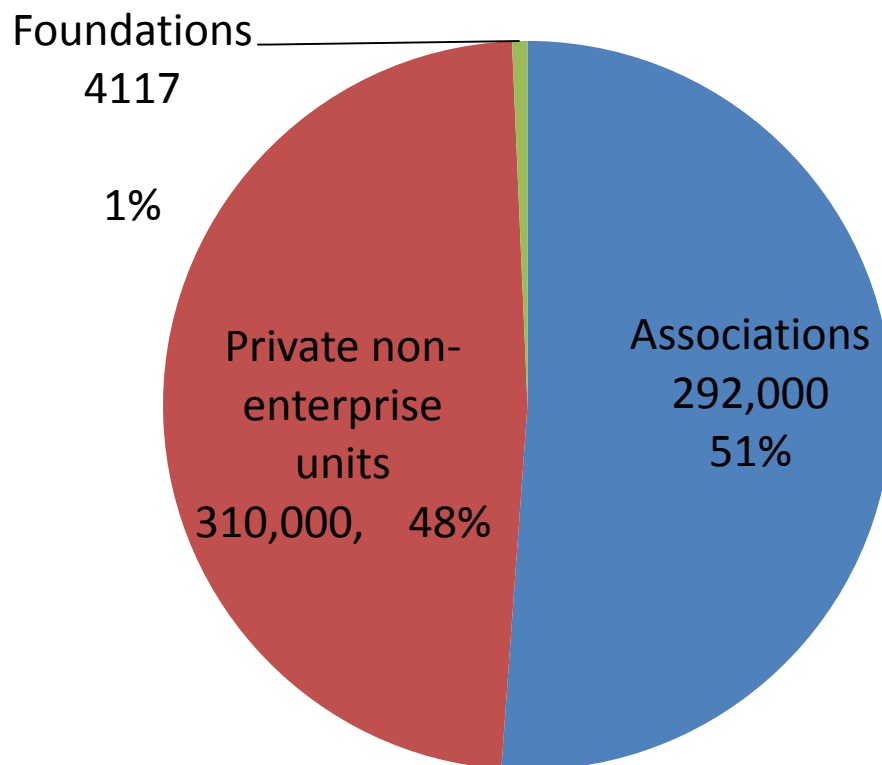


Fig. 2 Three types of registered NPOs in China 2014

– Ministry of Civil Affairs of China. (2013b). *2013 China's Social Service Development Statistical Bulletin*.



Table 1 Added-value of the Nonprofit Sector as Percent of GDP 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013
Added Value of NPOs in billions RMB	24.75	30.76	37.24	49.30	53.11	66.00	52.56	57.11
GDP in trillions RMB	20.95	24.66	30.07	33.54	39.80	47.16	51.93	56.88
Percent (%)	0.12	0.13	0.12	0.15	0.13	0.14	0.10	0.10

Sources: GDP data is from China Statistic Yearbook 2014; Added-value of the Nonprofit Sector is from *China's Social Service Development Statistical Bulletins* by Ministry of Civil Affairs of China, 2006-2013



Table 2 Employment of the nonprofit sector as a percent of the total employment in China

	2006	2007	2008	2009	2010	2011	2012	2013
FTE of the Nonprofit Sector (in millions)	4.25	4.57	4.76	5.45	6.18	5.99	6.13	6.37
National Employment (in millions)	750	753	756	758	761	764	767	770
Percent (%)	0.57	0.61	0.63	0.72	0.81	0.78	0.80	0.83

Sources: National employment data is from China Statistic Yearbook 2014; Employment of the Nonprofit Sector is from *China's Social Service Development Statistical Bulletins* by Ministry of Civil Affairs of China, 2006-2013



- Education, health and social services are the main focuses of Chinese NPOs.

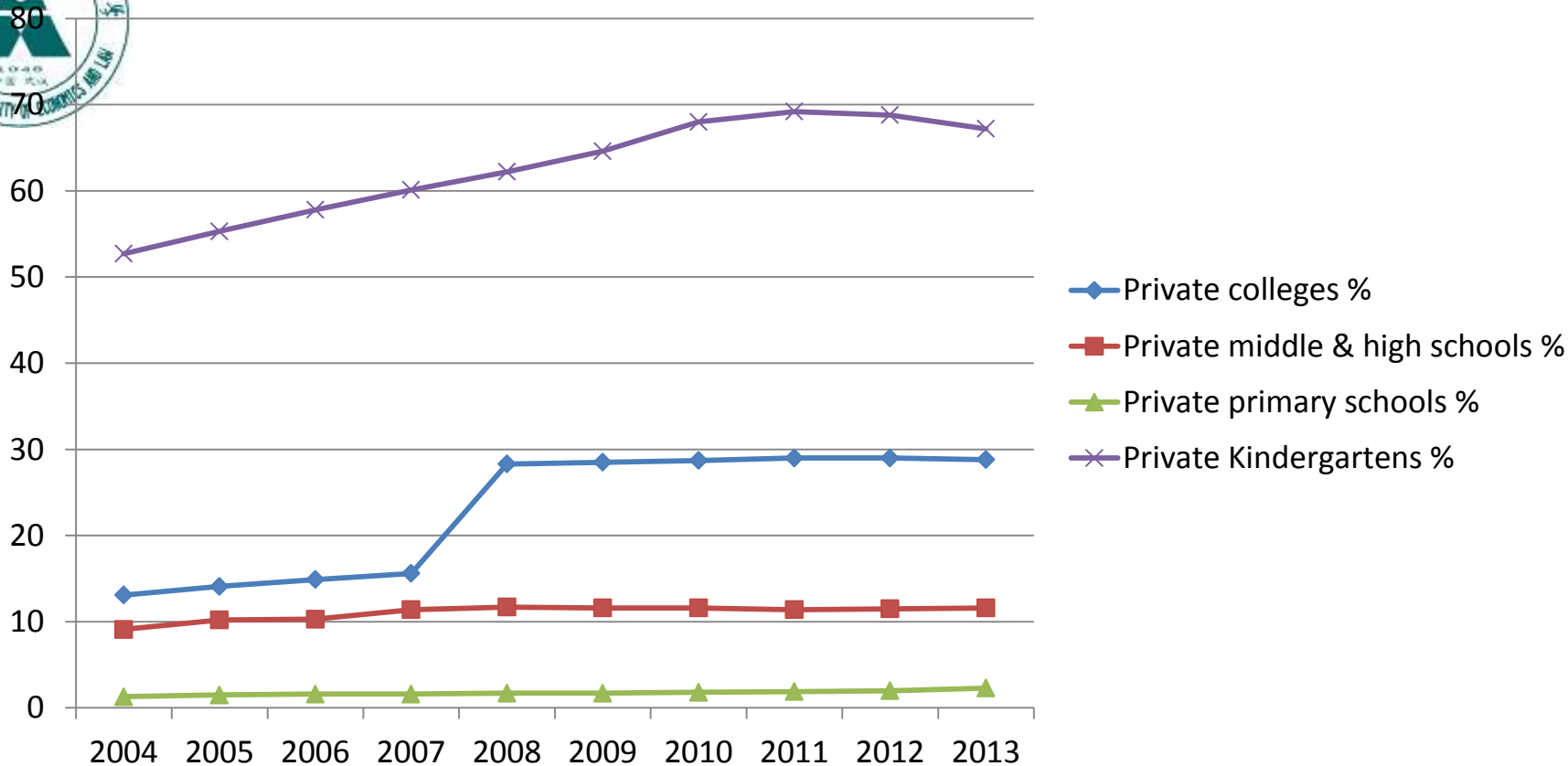


Fig. 3 Private schools at various levels as a percent of national education 2004-2013

Ministry of Education of China. (2013). *Educational Statistics Yearbook of China 2013*, Beijing: People's Education Press.

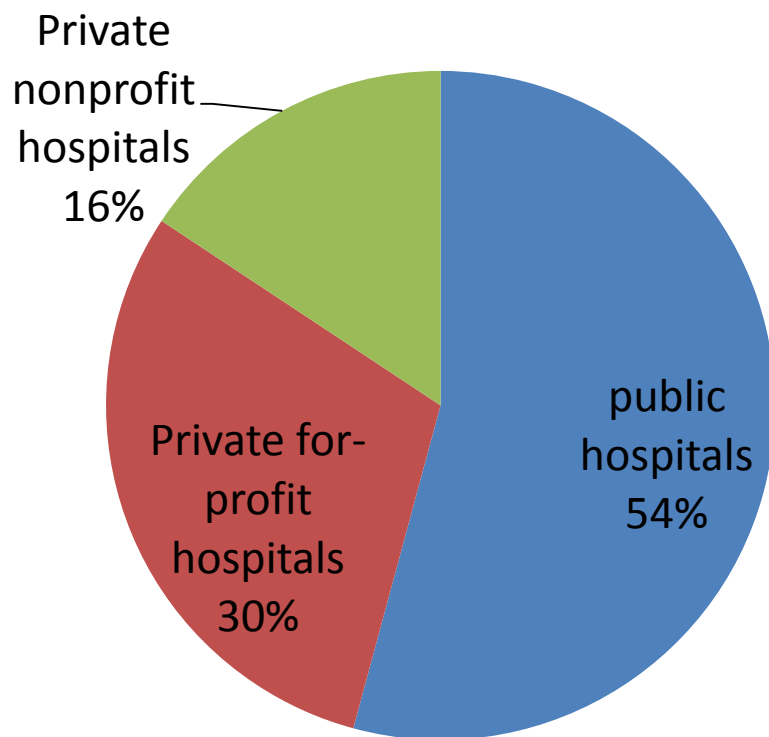


Fig. 4 Three types of hospitals in China 2014

Sources: National Health and Family Planning Commission of China, (2014). *Health and Family Planning Statistics Yearbook of China 2014*, Beijing: People's Education Press

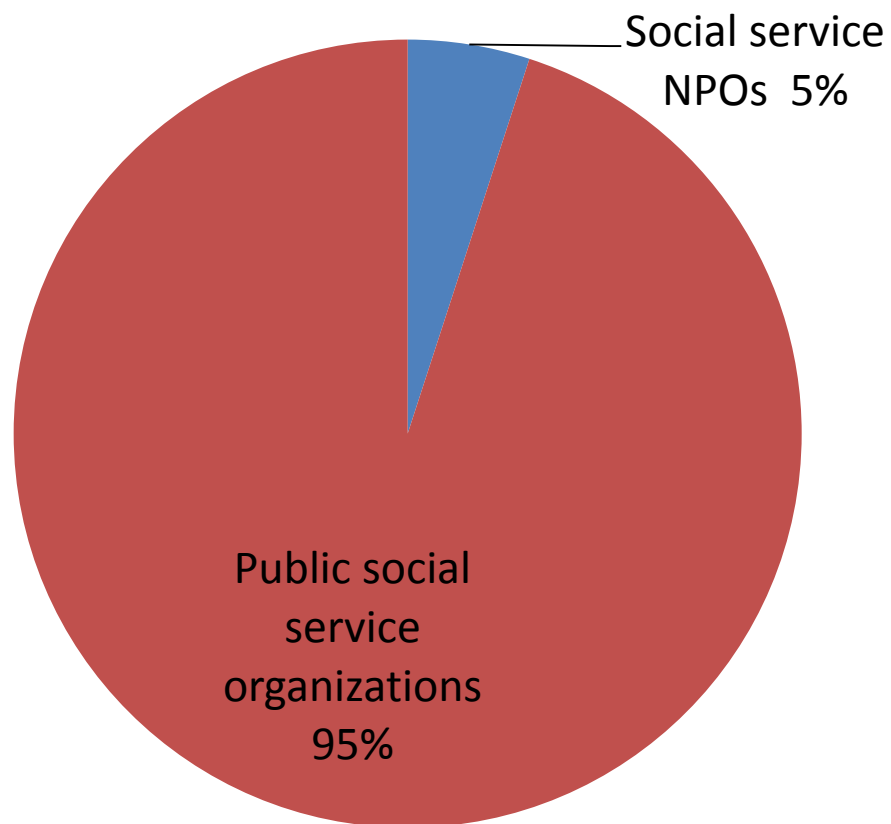


Fig.5 Private NPOs and public organizations in the field of social services

Sources: *China's Social Service Development Statistical Bulletins* by Ministry of Civil Affairs of China, 2013



Main characteristics of the nonprofit sector in China

- A quite big nonprofit sector regarding the number of organizations and the staff it hires. But,
- It is marginal if considering the size of Chinese economy and the public institutions.
- Driving forces: market economy, unmet demand, social entrepreneurship.
- Education, social services and health are the three main fields.
- Orderly-diversity pattern of government-NPO relations from GONGOs to grass-roots NPOs.
- Two hands policy: support as well as control



Government Funding of NPOs in China

- Table 4 Revenue sources of NPOs in China

	Main sources	Other sources
Associations	Membership dues	Government funding; earned income...
Private non-enterprise units	Services charge	Earned income; Government funding; donations...
Foundations	Donations	Government funding; Investment return...



Table 5 Government funding as percent of NPOs revenue

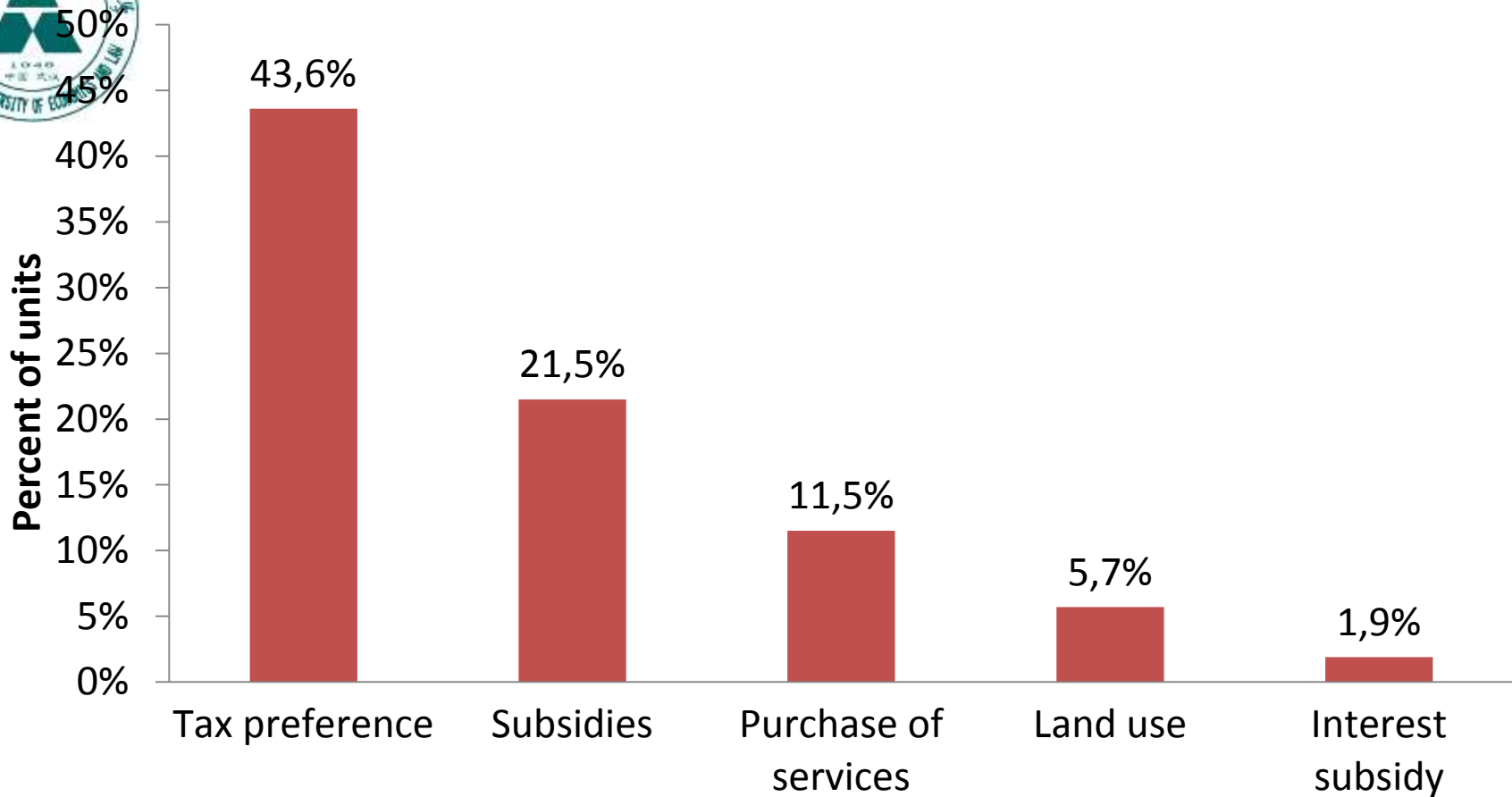
	Associations	Private non-enterprise units	Foundations
Percent of NPOs accept government funding	26%*	19% *	—
Percent of revenue from government funding	20%*	3%*	10%**
	9.8%***		

- * Huang Xiaoyong, Annual Report on Chinese Civil Organizations 2013, Social Sciences Academic Press (China), 2013, p58,62;
- **China Foundation Center, The Development of Chinese Foundations: An Independent Research Report(2014), Social Sciences Academic Press (China), 2014, p24;
- ***Deng G. Charitable Responsibilities and Tasks of Government and other Stakeholders , Journal of Chinese Academy of governance, 2010(5)



Government Funding Tools in China

- Government Funding Tools
 - Tax preference
 - Subsidies, grants and vouchers
 - Land use and office space
 - Purchase-of-Services Contract (POS)
 - Nonprofit incubators, Public venture philanthropy and Public Bidding



• **Fig. 6 percentages of private non-enterprise units covered by gvnt tools: findings of a survey**

• (Source: Development Research Center of the State Council, Social Organizations: Reality, challenges and Future, China Development Press, 2011, p56)



Tax Preferences

Tax preferences To NPOs	Tax preferences To donors
Income tax	Income tax
Value-added tax (VAT)	
Land use tax	
Property tax	
Contract tax, customs, etc.	



Tax Preferences

- Challenges to tax preferences:
 - The recognition of qualifications of tax preference status is not unified and complicated
 - No differentiation between service providing NPOs and membership NPOs
 - No differentiation between related business income and unrelated business income
 - Does not apply to donations except money
 - Tax preference to donors is enjoyed by a few privileged NPOs



Government Funding of NPOs in China

- Subsidies, grants and vouchers
 - Subsidies and grants are exchangeable terms, slight difference
 - Vouchers are used in few cases



Fig. 7 Government subsidies to foundations (in millions RMB)

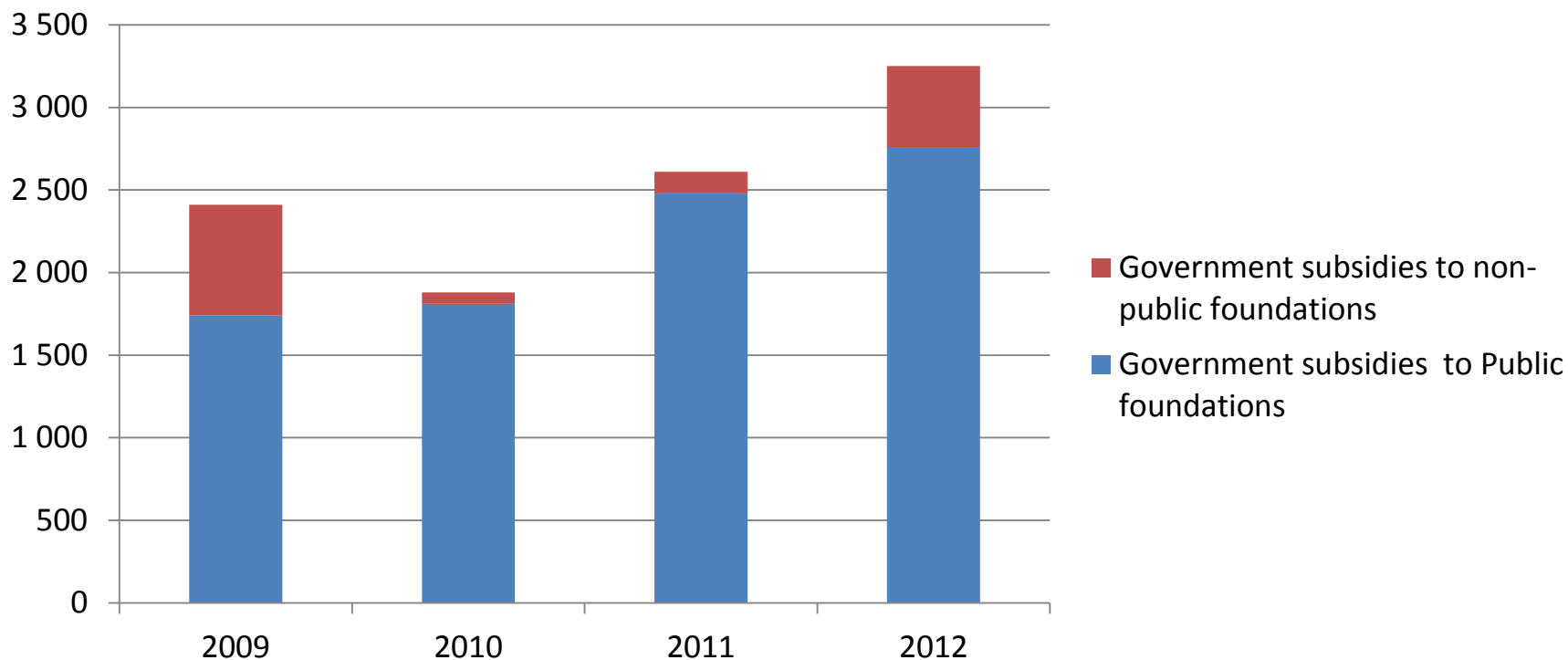


Fig. 7 China Foundation Center, The Development of Chinese Foundations: An Independent Research Report(2014), Social Sciences Academic Press (China), 2010-2014



Table 6 government funding as percent of revenue of public and private hospitals

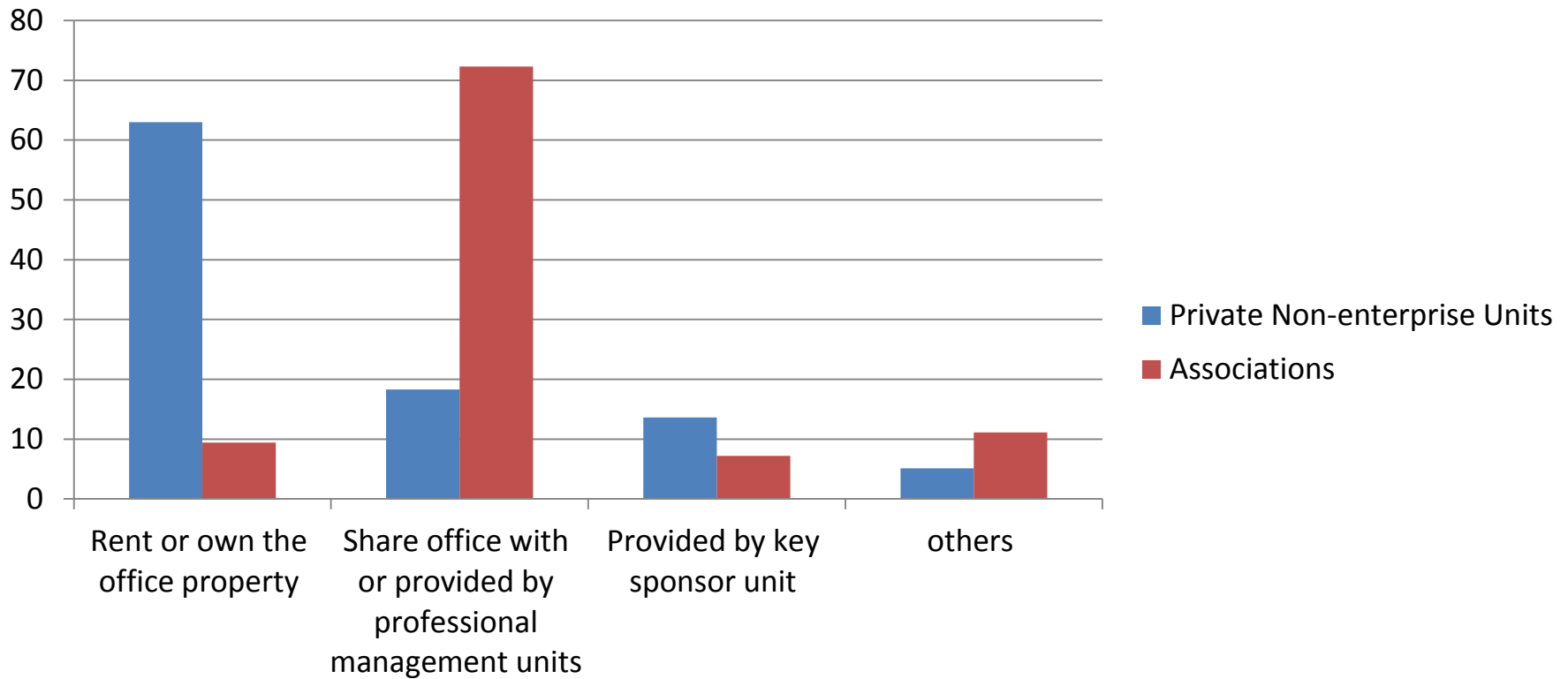
	Public hospitals	Private hospitals
Government subsidies as a percent of revenue	14.6%	0.8%

- Sources: National Health and Family Planning Commission of China, (2014). *Health and Family Planning Statistics Yearbook of China 2014*, Beijing: People's Education Press



Land use and office space

Fig. 8 NPOs Office Resources, A Survey of 495 NPOs in BH District in 2011 (%)



Source: rearranged according to data from Huang Xiaoyong, Annual Report on Chinese Civil Organizations 2013, Social Sciences Academic Press (China), 2013, p60



Government Funding of NPOs in China

- Government purchase-of-services contracts (POS)
 - It is getting popular since 2012
 - Its contribution to the revenue of NPOs is increasing quickly , 15 billions RMB in 2013
 - Government subsidies change from grants to contracts
 - Money mainly from welfare lottery public funds
 - Annual Report on Chinese Philanthropy Development (2014), Social Sciences Academic Press (China)



Government Funding of NPOs in China

- Innovative Initiatives: NPO Incubators, Public Venture Philanthropy and Public Bidding
 - Private sector initiated (e.g. NPI) and government followed
 - Registration service, office space, financial support, capacity building, regulations
 - Money from welfare lottery public funds



Conclusions

- Number of NPOs is big, but the sector is small regarding its contributions to economy and compare with other societies.
- Government funding as source of revenue is marginal to most of NPOs.
- GONGOs get majority of government funding.
- Various government funding tools are used.
- Funding is mainly from welfare lottery public funds rather than general public budget.
- Purchase-of –service contracts is becoming a main tool.



• Thanks!