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## The Nature of Partnerships with Non Profit Organisations (NPOs) that contribute to the Balanced and Sustainable Social, Economic and Environmental Development in China



By Professor Zhao Liqing  
Institute of International Strategic Studies, Beijing, China

### Introduction

In recent decades, the emergence of NPOs in Mainland China has attracted increasing attention, in both practice and theory, as a new set of organizational and institutional tools. The non-profit sector composed by NPOs can now be seen as a third sector that parallels the state sector and the market sector. Although compared with the state and the market, the scale and role of this newly emerging non-profit sector in Mainland China is still quite limited in the process of social and economic development, the performance of NPOs and relevant research demonstrate that the non-profit sector embodies another significant organizational and institutional innovation. NPOs have great potential to help human society to realize sustainable development, and provide new possibility to resolve the problems caused by market and state failure. The status of the non-profit sector will be sure to rise greatly in the Chinese society both absolutely and relatively in this new century. Furthermore, the balanced and sustainable social, economic and environmental development in China needs a successful partnership among the government, for-profit businesses, and NPOs.

#### 1. No Partners before the Late 1970s

To understand the Chinese NPOs and non-profit sector, one should keep in mind the unique background under which China's non-profit sector came into being and developed. Before 1978, China was a country dominated solely by the Communist Party through the state mechanism, the period of the centrally planned system. Philanthropy and non-profit organizations in China, all but disappeared for nearly 30 years, although China had a long history of philanthropy before the Communist Party took power in the nation in 1949. During that period, there was no room for non-profit organizations to operate.

In 1949, the Communist Party of China took power in the country and the People's Republic of China was founded. Since then until the late 1970s, in fact, almost all the existing associations were put under the direct or indirect leadership or control of the Communist Party or the government. They were neither non-government organizations in the eyes of Westerners nor traditional Chinese philanthropic organizations. Instead, they were called Mass organizations subordinate to the pioneers' organization - the Communist Party in the revolutionary cause, and functioned as the bridges and ties linking the Communist Party and the government with ordinary Chinese citizens.

## 2. The Legal Framework before the Late 1970s

Efforts also were generated to establish the socialist legal system after the founding of the People's Republic of China. In terms the reality of existing not-for-profit associations, in 1950, the new central government enacted The Provisional Measures for the Registration of Associations.

Soon in 1951, the government promulgated The Detailed Rules for Implementation of the Provisional Measures for the Registration of Associations. The above two were the initial law merit to govern not-for-profit organizations which were legally identified as associations in the socialist China. In 1954, the first version of the Constitution of the People's Republic of China was promulgated. It guaranteed Chinese citizens the freedom of association and other relevant rights. The Constitution stipulated that "The state upholds the uniformity and dignity of the socialist legal system." "No organization or individual is privileged to be beyond the Constitution or the law."

However, in the reality of China, besides the imperfection of the legal system, laws, regulations and even the Constitution were not adequately respected and observed. One of the major causes is the Chinese traditions. In ancient China, emperors were the supreme authority. Laws and legal systems were only the tools for their reign. During the Chinese revolutionary process in the 20th century, the leadership of the Communist Party was the supreme authority. After the founding of the People's Republic of China led by the Communist Party, the leadership of the Party still holds the supreme authority in society. The intramural documents, resolutions, and even leaders' speeches of the Party are more authoritative and effective in the Chinese society than laws and regulations in many cases. That phenomenon is usually called the rule of the policy of the Party, or the rule of man, rather than the rule of law. It reached its peak during the Cultural Revolution period from 1966 to 1976 when the legal system was destroyed, laws, regulations, and the Constitution were neglected and discarded. Meanwhile, almost all civilian associations were paralyzed then.

## 3. Emerged NPOs since the Early 1980s: Potential New Partners in Mainland China?

Since 1978, great changes have been taking place. China has been experiencing a transition towards the market economy and is opening itself to the outside world. Within this process, philanthropy and non-profit organizations have experienced a revival along with the reform and opening of China. China's non-profit sector has emerged and is growing up, although it is still in its primary stage.

Three outstanding phenomena have signaled the emergence of China's non-profit sector: the dramatic increase in the number of social organizations, the rapid growth of private non-commercial institutions (minban feiqiye danwei), and the increase in voluntary activities among Chinese citizens. Social organizations are not-for-profit organizations formed by Chinese citizens on a voluntary basis to perform activities in accordance with their articles of association in order to meet the common goals of their members. Private non-commercial institutions refer to those organizations that are formed by private citizens or enterprises and other organizations, using non-state assets to conduct not-for-profit activities (e.g. schools, day-care centers). These three phenomena have some common features: they are non-governmental, voluntary, and non-profit. In addition to formal organizations, there are many informal NPOs.

began in 1978. Before the Cultural Revolution in 1965, there were less than 100 national social organizations in existence; in 1999, there were 1,600 such organizations. In 1965, there were 6,000 local social organizations; in 1999, that number increased to about 170,000. Private non-enterprise institutions were virtually non-existent in the early 1980s. By 1996, there were about 700,000 private non-enterprise institutions in China. According to the latest official statistics, the total number of social organizations in 2000 was 136,841, down from 162,887 at the beginning of 1999 and its peak of about 200,000 during the first half of the 1990s.

#### 4. The Networking of Chinese NPOs

Since 1980s, various kinds of Chinese NPOs have been playing increasingly important role in many fields of development. The importance and significance of their contribution to society, has not only been recognized and appraised by Chinese people, but also attracted attention and positive evaluation from the international community. However, although the Constitution guarantees Chinese citizens the rights to found associations, and many networks of associations do exist, yet, almost all of them are created by the Communist Party and government. They are vertically linked together in a top-down way paralleling the government administrative system, such as All-China Women's Federation. The NPO umbrella organizations formed in a bottom-up way and with horizontal links among NPOs are not officially allowed in practice even until now. Therefore, the activities and relevant policy and academic research work had been conducted separately by NPO practitioners and researchers in isolation until the middle of 1990s. It was extremely short of exchange and horizontal link among Chinese NPOs and concerned academics then. Yet since 1998, the activities of Chinese NPOs and relevant research have been substantially changed. A series of events indicated the process of networking of Chinese NPOs:

- In the early 1998, the China Youth Development Foundation decided to launch and carry out a research project entitled China Third Sector Studies. Ten topics concerning NPOs were identified, and concerned scholars and practitioners were invited to convene this project. The goals of the project were to examine the issues and problems Chinese NPOs faced, explore the road for Chinese NPOs to pursue, and study issues of policy and law, so as to promote the healthy growth of China's Third Sector.
- In October 1998, the founding of NPO Research Center of Qinghua University was declared. It was a research branch focusing on NPOs. Its mission was to conduct various activities of academic research and consultation for the sake of promoting China's non-profit sector. In the same month, NPO Research Center sponsored a Symposium on NPOs, at which, key issues concerning Chinese NPOs were discussed. Among participants, were leaders of NPOs, academics, journalists, and key officials of Ministry of Civil Affairs who were in charge of NPO affairs.
- In June 1999, the Information Network of Foundations and other NPOs was launched to function. Its mission was to promote the exchange and understanding of NPOs at home and abroad, and provide various kinds of services to NPOs. It was the predecessor of China NPO network.
- In July 1999, supported by the Asia Pacific Philanthropy Consortium and the Asia Foundation, Qinghua University convened the International Conference on Non-Profit Sector and Development in Beijing, China.
- In November 1999, supported by the UN Development Program and the Ford Foundation, the China Youth

Development Foundation sponsored the International Conference on Hope Project and NPOs in Beijing.

- At the end of 1999, the Center for Social Policy of the Chinese Academy of Social Sciences was established. Its research focus is social policies closely linked with NPOs.
- In October 2000, supported by Ford Foundation and some other institutions, the Corporate Philanthropy Conference was held by the Shanghai Pudong local government and several NPOs in Shanghai.
- In June 2002, the Research Center for Volunteering and Social Welfare was set up in Peking University. Its mission is to promote research on volunteering and the networking of volunteers.

The events above mentioned and relevant others were the positive results achieved by Chinese NPO practitioners, academics, concerned government officials, and international supporters. They demonstrated the awareness and networking of Chinese NPOs was dramatically enhanced. The scattered and isolated activities previously conducted by NPO practitioners and concerned academics were gradually displaced by their exchange, coordination, and cooperation with horizontal ties. The common nature of their missions, functioning mechanism, fate and context, and challenges they faced, enabled the self-consciousness of each of those NPOs to be raised into the general consciousness of NPOs, and further into the consciousness of the non-profit sector as a whole. Obviously, Chinese NPOs have been treated as a relatively independent social sector different from the government sector and business sector. To govern this new sector, a special government organ has been set up, the rule of law in this new field has been determined as a goal to realize. An increasing number of academics and researchers have been engaging in researching NPOs and relevant issues. Besides individual policies and organizations, they are paying more attention to the whole non-profit sector and its structure and various inner relationships, furthermore to the tripartite relationship among the state, corporate and the non-profit sectors. The understanding and support of individual Chinese NPOs from the international community have been enhanced into the understanding and support of China's non-profit sector as a whole. Hence, the undertakings of Chinese NPOs have been treated as a newly emerging social sector by all concerned sides, i.e., NPO practitioners, academics, officials, businessmen, and foreigners as well.

The consciousness of China's non-profit sector is the reflection of its real existence. The networking of Chinese NPOs is one of the inevitable outcomes of the reform and opening lasting for over 20 years in China, and is the achievement of common effort of Chinese NPO practitioners, academics and specialists, officials, and their international supporters. The networking of Chinese NPOs, and accordingly its consciousness indicate that China's NPO and philanthropic cause has moved upward to a higher level. In the Chinese society, especially, a batch of newly formed NPOs initiated by citizens with new ideas and spirits have grown up. With new methods and mechanisms, they have been playing increasingly significant role in China's reform and development. That is an important institutional innovation in the Chinese society.

## 5. The Role of China's Non-profit Sector

The activities of Chinese NPOs have been spreading across various spheres of China's economy and society. They have been playing an increasingly important role in China's economic and social development, and environmental protection as well. Some of them have become positively influential powers at home and abroad. Obviously, an orientation to development should be one of Chinese NPOs' most essential characteristics.

NPOs can play multiple positive roles in China's development, and can especially help resolve those problems that have risen during the process of reform and opening. From a domestic perspective, NPOs can promote various causes such as education, rural development, poverty elimination, community building, social welfare, women and children protection, environment protection, re-employment for the dismissed workers in state-owned enterprises, health care, population planning, and so on. It also can mobilize, organize, and support citizens to participate in social and economic development, facilitate the government restructuring and the changing of its functions, advance the reform of state-owned enterprises, bring about the formation of new ethical system compatible with the market economy, and, finally but not the least important, promote political democracy. From the international perspective, Chinese NPOs can stand for the interest and desire of China's civil society to conduct international cooperation; acquire knowledge, technology, and funding from international NPO sources; exert influences on the process of international decision making; and play active role in international operational activities.

## **6. The Capacity Building of Chinese NPOs**

The following challenges must be adequately answered if Chinese NPOs are trying to move forward.

### **6.1 Individual Organization Development**

There is a lack of adequate mechanisms for Chinese NPOs to govern, manage, and supervise themselves. Because there are no traditions and organizing techniques for Chinese NPOs to draw upon, many NPO leaders do not know how to run an NPO, particularly under the new circumstances associated with a market system. Most of them are former or current officials of the government and are mainly familiar with the government's administrative methods. As ordinary Chinese citizens, they have neither the experience nor the knowledge to organize and manage a new type of organization, such as an NPO. Furthermore, if Chinese NPOs expect to win the trust of the government and public, some mechanisms of self-regulation, supervision and evaluation must be constructed in order to enable NPOs to develop their own standards for accountability and transparency.

A big problem for virtually every Chinese NPO is insufficient human resources. There are not enough staff to dedicate to the NPO cause, nor is there a stream of available educated practitioners of high quality with experience. A pool of educated and competent people is needed if China is to succeed in establishing a satisfactory non-profit sector. Currently, most qualified persons remain inside the government or with its affiliated institutions. To attract these people, NPOs must be able to offer economic security, social status and enhancements to their professional reputation. In addition, there is an urgent need for basic professional training for those who are engaged in the activities of existing and potential NPOs.

### **6.2 Sectoral Development**

It is necessary to create a greater variety of NPOs that engage in a diverse number of fields. A structure that distinguishes specialized NPOs from one another should satisfy the demands for development that focuses on people and at the same time remains compatible with the workings of a market economy. Likewise, adequate competition among NPOs should be encouraged. However, competition among Chinese

NPOs is severely restricted, if not outright prevented, due to government regulations.

Various kinds of NPO support organizations are needed if the non-profit sector and philanthropy as a whole are to be established. NPO support organizations should support NPOs and conduct such activities as grantmaking, information dissemination, coordination, consultation, training, evaluation, standard-setting, accreditation and monitoring. There are no grantmaking foundations, "watch dog" bodies, umbrella organizations or accreditation organizations in China.

### 6.3 Funding Mechanisms

An infrastructure for funding mechanisms is needed to provide financial support to NPOs. Under the traditional planned system, the state controlled virtually all resources. Today, NPOs that are dependent on the state for funding must wean themselves from this dependency and find new sources of revenue. NPOs that are already more or less independent are suffering the most. A pressing need, therefore, is the establishment of a system that can promote and coordinate foundations, donations, international aid, fundraising and other elements that could help free NPOs from financial dependency on the government and, at the same time, sustain their activities.

Government funding is still one of the major revenue sources for NPOs. Furthermore, generating donations from the general public, state enterprises, state non-enterprise institutions and Party and government agencies depends to a large extent on the mobilization mechanism of the government's administration. Although it is the government's intent to reduce its support to traditional mass organizations, state non-enterprise institutions, and other kinds of NPOs, the government is expected to continue supporting those organizations that are closely linked to it. There is no indication that the government will consciously provide financial support to independent NPOs and the non-profit sector as a whole.

Although some for-profit organizations are aware of the existence and significance of philanthropy and NPOs, most Chinese businessmen know little about NPOs and their activities. Even when they donate to public-benefit undertakings, they assume that those activities are sponsored by the Party and the government, and that involved NPOs are only affiliated agencies of the Party and the government. There are almost no corporate foundations in China.

Along with the progress of reform and opening, an increasing amount of international funding has been flowing into China's philanthropic field. Foundations, NPOs, multi and bilateral government development agencies and individuals are among the international donors. Although the funding is uniquely important to China's infant non-profit sector and, especially for citizen-initiated philanthropic activities, the amount is quite limited compared with China's large scale and its concomitantly huge demand for money. Moreover, due to several reasons, international funding has not been effectively and efficiently allocated and used in many cases.

Many Chinese NPOs also start and run businesses, have affiliated companies and invest in real estate. Some are so successful that they can use the profit acquired by the enterprises to support their philanthropic activities. However, there are many NPOs that have operated businesses with poor results. They become fearful of relying on these operations and seek to disengage from them.

Although financial resources exist, the challenge for China's philanthropy is addressing the lack of sound institutional and systematic links to join, mobilize and coordinate them. From the sectoral perspective, there is a great demand for institutional arrangements for effective communication and information dissemination, accounting and auditing, evaluation and monitoring, punishment and encouragement.

## **7. The Demand for New Partnerships**

However, the current state of China's civilian organizations as a whole is far shy of an independent non-profit sector that is compatible with the market economy, and able to play its unique role effectively in sustainable development. China's civilian organizations sector still bears the deep imprint of the so-called planned system, or administrative-order system. Most civilian organizations are dependent to some extent upon the government system, and their management and behavior have a high color of governmental administration. The non-government and self-governing features of those organizations are still quite imperfect. Furthermore, many voluntary activities in China are initiated and organized from top to bottom, and are much different from those initiated and organized horizontally, by citizens from the grassroots. Even though there are some privately organized nonprofits that enjoy self-governance, the number of those is quite limited, and their organizational establishment is rather immature. In China, the legal and regulatory system and the fundraising system concerning the non-profit sector, and a social environment that encourages the formation and growth of the non-profit sector are just beginning to take shape. Hence, China's non-profit sector on the whole is still in its initial stage.

China's non-profit sector should strive to become an independent, self-governing, and dynamic social sector, which can be called the third sector existing side-by-side with the state and the market, through effectively playing its positive role in socio-economic development and environmental protection. If the non-profit sector wants to be dynamic and vigorous, it has to realize organizational diversity and maintain adequate competition, in addition to independent status. A non-profit sector should be based upon civil society. Only when a non-profit sector is independent and self-governing can citizen-led initiatives be carried out, with full citizen participation.

With the progress of reform in China, the old Chinese society dominated solely by the government has gradually transformed into a society governed dually by the government and the market. Now the emergence of the non-profit sector demonstrates that a new society composed of three sectors (i.e., the government, the for-profit sector, and the non-profit sector) is starting to form in China. China's development demands the existence of the three sectors. Within the framework stipulated by the constitution, laws, and regulations, each of these three sectors should be independent, self-governing and self-regulating. However, the respective independence and self-governance of the three sectors should be combined with coordination, cooperation, and mutual support among them. The government, for-profit sector, and non-profit sector should set up strategic partnerships, based on equality. By so doing, these three sectors can generate a huge common effort so as to be able to give full and free rein to the great creative potential of the Chinese people in China's development.

## **8. The Efforts by the Party-State to Construct New Partnerships**

As part of the overall effort to re-build up the socialist legal system, the Measures for Administration of Foundations was enacted in 1988, the Interim Rules for Administration of Foreign Chambers of Commerce and the Regulations for Registration and Administration of Associations were promulgated in 1989.

In the early 1990s, the Communist Party committed to strive for perfecting the legal and regulatory system and realize the rule of law in China. In November 1998, the State Council promulgated the Regulations for Registration and Administration of Associations, and the Interim Regulations for Private Non-Enterprise Institutions. These two Regulations are the major legal merit to govern Chinese NPOs. And the Public-Benefit Donation Law was promulgated in 1999. Furthermore, the drafting of the Regulations for Registration and Administration of Foundations and the Regulations for Registration and Administration of Foreign NPOs is underway.

Up to now, progress has been made to build up a legal system to govern not-for-profit organizations in China. However, there still is much to be done to have an enabling environment for them from the perspective of law.

## 9. Legal and Regulatory Restrictions

Currently, the only law closely concerning NPOs is the Public-Benefit Donation Law. Although considered, there are no the law of association and other relevant laws. The revised Regulations for Registration and Administration of Associations and the Interim Regulations for Registration and Administration of Private Non-Enterprise Institutions promulgated in 1998 are of the supreme legislative authority to govern Chinese NPOs. Since the abovementioned law and regulations are quite general and to some degree not specified, government officials, especially local administrative officials have quite room to give explanation and to enforce. Therefore, the enforcement of the law and regulations are quite unbalanced in various parts of the country at different levels.

During the process of reform and opening, in reflecting the emergence of a great number of NPOs, the Party and government gradually set up a two-fold system of administration, registration, and supervision regarding NPOs. In 1984, the Central Committee of the Communist Party and the State Council decided that every NPO shall have to affiliate with a government line agency in its professional field. That means every NPO has to have a government organ as its supervising units. Besides, in 1988 the Ministry of Civil Affairs was made responsible for registration and administration of NPOs. Later in the same year the Department of Social Organizations was set up in the Ministry of Civil Affairs specifically for the purpose of registering and administrating NPOs. The Department, however, was upgraded in 1998 with more authorities and responsibilities and renamed as 'Bureau of Administration of Non-Governmental Organizations' (minjian zuzhi guanli ju), under the Ministry of Civil Affairs. The Bureau is responsible for registering and administrating associations, foundations, and private non-enterprise institutions.

To organize either an association or a private non-enterprise institution, it is required to apply for the registration through the two-fold government administration system. According to Article 3 of the Regulations on Registration and Administration of Associations, the establishment of an association shall be subject to the review and consent of its relevant government supervising unit (or competent business unit), and shall be registered in accordance with the provisions of the above Regulations.

In China, the real policy making power is controlled by the Communist Party. Since 1978, when the Party launched reform and opening, it has adopted a more positive policy attitude towards non-profit organizations than before. Numerous and various non-profits emerged with the Party's tolerance and encouragement during this period. However, the Party's policy attitude is tempered by two major considerations. One is the demand of reform,

opening, and development, making non-profit organizations necessary. The other is anxiety over political threats, corruption, and disorder arising from the expansion of the newly emerging non-profit sector. Therefore, the policy environment in China presents mixed messages.

In recent national congresses of the Communist Party, fostering and promoting some kinds of non-profit organizations were determined to be among the integrated reform goals for the Party to pursue. Social intermediary organizations for economic and social services, community-based service organizations and public-benefit organizations were given policy preference to cultivate and support. In an effort to put the non-profit sector under legal jurisdiction, the process of making laws and regulations has been propelled forward. In addition to the regulations and relevant laws that have been promulgated, new regulations concerning foundations and foreign NPOs in China will be coming out in the near future. Efforts have been made to enhance the efficacy of government administration over NPOs.

However, the policy attitude towards civilian-initiated NPOs is quite severe. Even for privately organized non-profits engaged in economic and social development and environmental protection, it is very difficult for them to register with the relevant authorities and become legal bodies. According to the regulations, there are some prohibitive clauses towards social organizations. All social organizations must be an incorporated body. Social organizations can become incorporated and enjoy guaranteed rights and interests only after registering with relevant authorities in accordance with regulations. If there is already a social organization in an administrative area, then any other applications for setting up new social organizations that propose the same or similar functions will be rejected. Social organizations are not allowed to set up branches beyond their registered administrative areas.

Furthermore, according to current NPO regulations, every non-profit organization is subject to both its competent supervising authority and a separate registration authority. Therefore, most non-profit organizations are created, organized, and governed by some kind of government agency. The government and its agencies have strong power and influence over NPOs' internal affairs. Lack of independence and self-governance are, to some extent, common features.

The operation of foundations and other philanthropic organizations are also quite strictly regulated. They are limited in how they conduct their activities. For example, a foundation must have a large endowment to register and its funds can only be deposited in a bank and the generated interest used only to cover administrative costs. There are no other sources of funding allowed for administrative and operational costs. Obviously, this is not adequate for foundations to fully function.

There are also no favorable tax exemption and deduction arrangements for philanthropic organizations. Although the Public-Benefit Donation Law was enacted and some provisions and rules dealing with philanthropic behavior exist, most donors and philanthropic organizations cannot enjoy favorable tax treatment. The causes are many, such as lack of detailed regulations and explanations to enable the Donation Law to be enforced, internal government provisions and rules that are not clear or apparent, and various relevant government agencies whose roles and procedures are not consistent with each other. At present, there are no laws or regulations to encourage donations from inherited assets.

## 10. Concluding: to Lay a Foundation for the New Partnerships

To lay a foundation so as to foster and establish the new partnerships among government, NPOs, and for profit organizations, three major transformations have to be made.

First, the administratively dependent social sector affiliated with the planned economic system must be transformed into an independent, self-governing, and dynamic non-profit sector, compatible with the newly established market economic system. During the period of the traditional planned system, social organizations in China were largely created by the government in a top-down fashion. Even now, although many changes have taken place, most of them still bear a pronounced government-administrative color. Characteristics such as top-down, government-administered management; reliance on the government for personnel, funding, activities, and other aspects; and lack of motivation and dynamics are still widespread among Chinese civilian organizations. To realize the transformation toward a non-profit sector compatible with the market system, it is required to gradually separate non-profit organizations from the government. This will enable non-profit organizations to become real nonprofits that are deeply rooted in civil society and are governed in accordance with democratic principles. Chinese non-profit organizations leaning on the government should gradually transform into self-governing, independent NPOs that enjoy adequate decision making power in issues such as personnel, funding, activities, and so on.

As for the non-profit sector in general, it must change from a sector characterized by monopoly and exclusiveness into one based on diversification, plurality, and competition, so as to create a framework that is competitive, orderly, and has a rationally distributed division system. Realizing the above transformation means that the creators and leaders of NPOs should increasingly be private Chinese citizens instead of government officials. This also means that the Chinese social sector should be changed from an affiliated part of the government sector into an independent third sector which is non-profit, dynamic and based upon civil society. To fulfill the transformation requires heightening the reputation of NPOs, enabling the staff of NPOs to enjoy higher salaries and better working conditions, and making the non-profit sector a pool that attracts excellent people. In order to effect such a transformation, there must be mechanisms, norms, and rules according to which NPOs can self-govern and self-regulate. Furthermore, there must be a plural system of fundraising in place so as to let NPOs acquire sufficient funding beyond government sources.

Secondly, in order for the government to properly govern and regulate the non-profit sector, rule by policy or rule by men needs to be transformed into rule by law. Rule by policy was one of the distinguishing features of the traditional Chinese planned system, and in some cases, it was actually rule by a few senior leaders. Now, the Communist Party and the Chinese government are determined to build up legal systems and carry out the rule of law in China. To realize the transformation from rule by policy and rule by men to rule by law in the non-profit sector, there must be relevant laws and regulations that clearly define the rules concerning the non-profit sector. There should be open and transparent rules, which all sides have to abide by, whether they are government agencies and officials or NPOs and ordinary citizens. Carrying out the rule by law means that at-will government intervention in NPO activities has to be prevented, and the misuse of the right of freedom of association by citizens has to be prevented as well. To carry out the rule by law, an enabling environment must be set up which not only fosters and promotes the non-profit sector, but also helps avoid negative influences arising within the non-profit sector. So far, China has done much in order to build up legal systems and carry

out the rule by law. However, it should be clearly recognized that all the work done in this aspect indicates only a starting point. Most importantly, carrying out the rule of law effectively requires not only making new laws and regulations relevant, but also modifying, improving, and amending existing laws and regulations according to the effects of their implementation in practice.

Finally, the government has to change its attitude towards NPOs and treat them as independent partners equal in status in the social and economic development.

Building up the new partnerships among stakeholders in the process of social and economic development is a new strategic task which Chinese society is confronting during its process of reform and opening. It needs common effort by all sides, including the government, NPOs, academics, enterprises, and ordinary citizens.

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## Social Capital and Sustainable Economic Growth



By Dr. Brahm Prakash

Director of Poverty Reduction and Social Development Division,  
Asian Development Bank

### I. Introduction

It is indeed an honor to join this panel and speak about social capital. It is one of those concepts that have risen prominently in the 1990s. Lots of literatures have been generated and in the process, many protagonists as well as the critics have emerged.<sup>1</sup> Those in favor say that they have found the missing piece and that the social capital will help understand the good or indifferent performance of a group or society. The critics point out that the concept is vague. It means different things to different people. Almost everything is included under its scope. It is not scientific and cannot be measured satisfactorily.

One is not sure what one can achieve in such a situation through a short presentation like this one. However, our objective would have been adequately met, if some of the protagonists of social capital can be made aware of its limitations, and the critics can be persuaded to agree that simply because it cannot be 'counted', social capital is dismissed simply as a nonsense. With this modest goal we hope that we are able to provide some flavor of the debate. So we proceed further notwithstanding the hazards.

### II. What is Meant by Social Capital?

In one of the works sponsored by ADB, social capital is defined as "those social relationships that help people to get along with each other and act more effectively than they could as isolated individuals" (Carroll, 2001, 1). The significant term in the definition is "relationships." In our view it lies at the core of the social capital, notwithstanding the fact that relationships can take many varied forms. However, the main concern behind such relationships is about "trust, mutuality and reciprocity" that underlies most of the social organizations and their interactions within and with others. Thus "trust" is said to be at the center of relationships that constitute social capital, and the precise form it takes varies as per the pattern of organization.

Economists who customarily put "price" to all inputs whether physical, financial or human-look at the "relationships" in terms of transactions, markets and contracts. Stable and dependable relationships are important for economic development. They help reduce transaction costs (Coase, North 1990, and Ostrom 2000), make markets more efficient and contracts get settled smoothly with minimal recourse to outside interventions. In brief, for economists such relationships are an all-purpose aide to making markets work better. Thus perceived, social capital is an important adjunct to the core economic activities-the unpriced inputs supplementing the priced variables. One

<sup>1</sup> The paper has benefited much from, and draws upon the available works, especially Dasgupta and Serageldin (Eds, 2000), Carroll (2001) and Grootaert and van Bastelaer (2002). Technical support of Ms. Pie Jamon is gratefully acknowledged.

of the recent contributions on social capital by one of our colleague in ADB presents a closely argued critique of social capital from the economists point of view (Quibria, 2003).

It is noted that trust, mutuality and reciprocity as attributes are common in above formulations, and are important pre-requisites for the smooth compliance of contracts. These attributes often involve effort and sacrifice to accumulate, take time to build up and pay off over long periods of time. Most importantly, they involve a longer time perspective. Some of these are the features of capital in conventional terms, whether we can put values on them or not.

Social capital is closely linked to institutional analysis. If trust is overriding, and reciprocity is maintained as a matter of normality, the "rules of the games" are commonly understood, owned, subscribed and sustained by the group as a whole. This boils down to be the essence of "institutional" approach to economic analysis, and is now the leading edge of development discourses (Coleman, 1990).

The significance of this kind of social capital would of course vary with the size of the group. The bigger is the group that maintains such relationship, the higher will be the gains that can potentially follow from the interaction. In this sense, "connectivity and linkages" emerge to be an important determinant of the scale and scope of the social relations. Networking is the key to widening the area of influence of social capital, and one can talk of intra-group "bonding" and inter-group "bridging". This is also termed as "internal" and "external" relations ("Cooperation" and "participation" are old umbrella terms to capture some of these features of the social capital).

In the context of the well-developed and durable institutions, we have the possibility of social capital taking the form of an organizational structure. Alternatively it can remain merely in a cognitive domain. Carroll, 2001 illustrates these two versions.

**Table 1: Complementary Categories of Social**

	<b>Structural/Organizational</b>	<b>Cognitive/Attitudinal</b>
<b>Sources/Manifestations</b>	Roles people assume Networks and other interpersonal relationships Rules and procedures that guide specific behavior	Values Attitudes Beliefs that guide generalized behavior
<b>Domains</b>	Social organization (informal networks, formal organizations)	Civic culture
<b>Dynamic Factors</b>	Horizontal linkages Vertical linkages Collective action	Solidarity Trust Image of the "other"

Source: Carroll, 2001

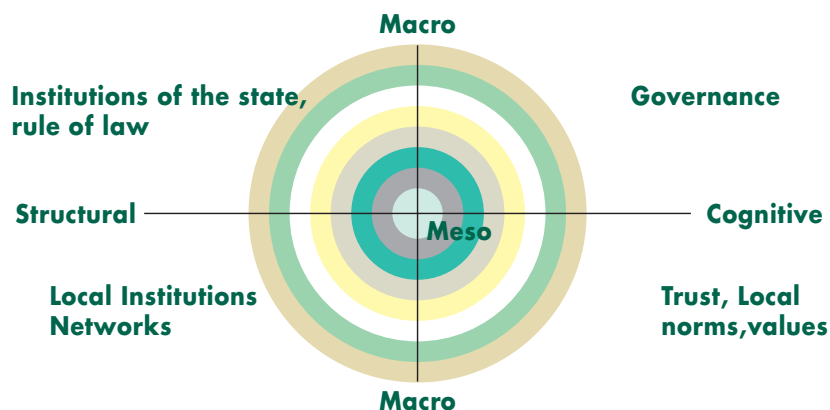
If we have come thus far with the concept of social capital, notwithstanding its rather amorphous description, it is easy to advance further by thinking of social capital at different spatial levels, say micro, meso and the macro-level. Given its proximity and directness, at the micro level it is easy to perceive the role of trust, relationship and rules in getting things done. We will enumerate some instances later in the presentation. However, as we go to higher levels of spatial aggregations, some of these features get folded in, and some other elements start appearing more prominently. For example, at the highest level, many of these features could become more formal, institutions could assume public role, and compliance could be more mandatory than persuasive.

At the extreme macro level, social capital tends to acquire some of the characteristics of the public goods with its traditional characteristics of non-rival and non-exclusive consumption. Such public goods tend to be underprovided when left to the markets alone, and often need to be supplemented by the public policy. In the context of a multi-layered supply chain, or a multi-layered government, social capital is embedded and nested throughout the myriad links.

It is noteworthy that these relations add up somewhat differently than would simple arithmetic, and certainly do not increase monotonically. With the inclusion of a new relationship, the overall character of the relationships may respond and undergo a metamorphosis for good or for worse. This is different from purely atomistic assessment of individual phenomenon that forms the foundation of economic analysis the reason being that the social capital is based more on the "generalized morality" or "we-rationality" as opposed to "individual rationality."

I think this is adequate by way of an introduction to the concepts that underlie social capital, and we can now proceed further by asking whether this idea of social capital has been found to be useful in real development contexts. Given below is a figure illustrating some of the concepts used above in an overview of the social capital.

**Figure 1.1 The Forms and Scope of Social Capital**



Source: Grootaert and van Bastelaer, 2002, p 4.

### III. Social Capital through History

Whenever one finds that too much controversy is being generated by the supporters and the opponents of a concept, and it is difficult to make up one's mind, then it is helpful to look back through time, and see how has the thinking about the subject evolved overtime. Has it endured the test of time? Has it been found useful? We cite two instances in support of such a venture, and hope that it will be helpful in illustrating the concept further.

First, we take an unrelated piece titled "Financing Infrastructure in Developing Countries: Lessons from the Railway Age" by Barry Eichengreen (1996) in which he described how the railway was financed in United States in the nineteenth century. It is instructive to quote him directly (p.113),

"Where contract enforcement was problematic and information was difficult to verify independently, the markets made heavy use of such links. Friends and associates vested their confidence in individual financiers with reputations for honest dealing who signaled their commitment by putting their own funds at risk."

Thus investment "tended to be a cumulative social process in an environment lacking an impersonal, national money market" (Johnson and Supple, 1967:338, as cited in Eichengreen).

The second piece on which we draw is an article by Bruni and Sugden (1999) entitled "Moral canals: trust and social capital in the work of Hume, Smith and Genovese" in which he compares the concept of social capital in the hands of these classical philosophers and thinkers. The paper describes when and how trust can be rational, and spells out the conditions under which economic and social institutions can generate trust. The paper traces the changing concept of trust through time, and how its scope has been narrowed down to "individual actions". The authors conclude that

"for our eighteenth-century writers, the concept of rationality ...could encompass dispositions as well as actions. A disposition guides a person's actions in a range of cases which, despite their differences are treated as similar. If we assume that people tend to adopt dispositions which, on the whole, lead to desired outcomes, we may be able to explain how the virtue of trustworthiness can survive in a market economy, even though that virtue sometimes requires individuals to act contrary to their interests. If disposition matters, there are also implications for the way we need to think about social capital."

The main point that one is trying to make with these illustrations is that components of social capital have been recognized for a long time by philosophers, economists and visionaries. However, the main concern lies in a debate about the trust as a product of markets in the commercial leading regions a la Adam Smith, and the trust as a precondition of market development in the developing regions a la Genovesi or as illustrated through financing of railways.

#### IV. Social Capital Practices-Illustrations from Literature

Let us now turn to the practice of social capital and briefly examine what kind of evidence we find in the contemporary development literature and whether it helps us to have a more concrete feel of the concept. Significant contributions have been made in this regard by documenting the field level practice and measurement of social capital by Grootaert and van Bastelaer (Eds, 2002). Toward this end, we cite the applications that have often demonstrated the role of social capital.

##### A. Agricultural and Forestry

In the agriculture sector, the presence of local associations and networks enhances the ability of poor villagers to allocate resources efficiently thereby increasing production and incomes. As an example, among the impoverished and isolated areas in northern Pakistan is the potato cooperative. There is strong community-level support for growing off-season and seed potatoes for the southern cities and plains as a niche-based production alternative. Marketing systems are nurtured collectively at the village level, ensuring the production and sale of the only produce that can compensate for their lack of suitable land for grain crops and income-earning opportunities (Caroll, 2001).

Also, local farmer and community groups are collaborating with NGOs and various organizations to protect the environment. Management of community-controlled forests in the north-eastern India, are examples of almost pristine forests in the deforested eastern Himalayas. The local institutions lay down the rules of managing such community resources for protection and benefit of the communities (Caroll, 2001).

Finally, through the integrated pest management program in Indonesia, the government and foreign donors have created farmer field schools in order to reduce the use of chemical pesticides without lowering yields (Uphoff et al, 1998).

### **B. Education Sector**

Parent-teacher and school community association contribute significantly to the local schools maintenance and enhancement of school enrollment and attendance. A study based in rural Tanzania find that their social capital index is associated with higher reported levels of parental participation in schools and higher levels of school quality (Narayan and Pritchett, 2000).

### **C. Health and Nutrition**

Community health organizations in collaboration with private health providers were seen to contribute in improving health outcomes particularly those of women and children. Social capital among and between each group of providers may improve health outcomes because people are more likely to seek advice from someone they trust (Cox, 1995).

### **D. Microfinance**

Delivering productive credit to the rural poor has long been beset with problems. Thus, group or village type of credit with joint liability has emerged as an alternative form of institutional credit delivery, well suited for poor borrowers. A well-known example of this scheme is the Grameen type village committees which later became Grameen Bank, provide credit to poor borrowers without any collateral but instead, loans are based on mutual trust, accountability, participations and creativity.

### **E. Urban Development**

In urban areas, people tend to group together in small communities and networks of support, such as neighborhood or subdivision associations that are based on trust, goodwill and common objectives.

### **F. Water Sector**

Farmers are often faced with collective problems associated with irrigation systems. It has been observed that mutual cooperation helped to overcome these problems. Evidence from a study of 150 irrigation systems as well as case studies in Nepal shows that irrigation systems which are governed by farmers are able to realize more equitable outcomes than those managed by a national agency (Ostrom, 2000).

Another famous example is the farmer association in Gal Oya in Sri Lanka which became one of the most successful case of social capital through external assistance. Prior to organization, Gal Oya was observed to be the most deteriorated and disorganized irrigation system in Sri Lanka and later became one of the most efficient and cooperatively managed systems, when it adopted an effective plan for engaging farmers in joint system management (Carroll, 2001).

There are literally thousands of such illustrations of social capital operating at the micro level and community level. Further, it is important to recognize that for higher spatial levels, i.e., meso and macro level it is possible to think of inter-entity formations that are overarching in nature. For example, federation of microfinance bodies,

federation of water user's associations, federation of primary school teachers, etc. Most of the professional bodies have their own organizations that perform a large number of activities to oversee and protect their interests. Some of these organizations also oversee and protect the public interest issues, e.g., preventing cruelty to animals, or preservation of environment in a valley, or friends of trees, keep the neighborhood clean and green, etc.

The important message from this illustrative list that we derive is that such organizations come in a variety of forms, and that they encompass a broad spectrum of activities. Some of these activities may be rather narrowly conceived for the self-interest, others may be more altruistic while most of them will be some combination of the individual and social issues. It is also to be kept in view that it is a fluid situation and the admixture of interests and as well as the intensity of interests may vary with time, place, ethos and fads. This is suggestive of the dynamics of social capital.

## V. ADB and Social Capital

Cooperation among DMCs is a kind of social capital, and it is instructive to see how it is handled in ADB, and what has been the ADB's contribution towards this end. We begin by looking at the two key documents of ADB for some evidence, i.e., the Charter, and the Long-term Strategic Framework of the ADB.

### A. The Charter

The founding document of the ADB promotes regional cooperation among the DMCs for promoting economic development. It says in Article 1,

The purpose of the Bank [ADB] shall be to foster economic growth and cooperation in the region of Asia and the Far East..and to contribute to the acceleration of the process of economic development of the developing member countries in the region, collectively and individually. [Emphasis added]

In the vein of the illustrations given above, this is an example of an overarching arrangement across DMCs being encouraged and assisted by the ADB in the region. The ADB goes about promoting regional cooperation by building infrastructure across countries, promoting cross border movement of goods, services and factors of production step by step, first on a bilateral basis, then on sub-regional basis and eventually across the whole region (Iwasaki and Prakash, 2002).

Likewise it may be noted that the ADB is essentially a cooperative organization and in this sense a leading social capital entity in Asia and the Pacific.

### B. Long-term Strategic Framework 2001-2015

The Long-term strategic framework (LTSF) emphasizes the social capital in the following words (ADB, 2001: vi):

"In recent years, ....development thinking has also been changing, with new approaches emphasizing a broader view of development; stronger ownership by stakeholders; wider partnerships among DMC governments, the private sector, civil society, and aid agencies; and renewed emphasis on environmental issues."

And goes on to say:

"A key element in the fight against poverty over the next 15 years will be the spread of economic freedoms and rights, resulting from the demands of individuals (i) to participate more actively in decisions that affect their lives and interests, and (ii) to benefit from good governance and inclusive development. Thus, civil society will exert increased pressure for more effective, efficient, and responsive government."

In addition, it widely recognizes the right of participants and the stakeholders in promoting good governance in the interest of efficiency, growth and sustainable development. Thus, ADB created the NGO Center in 2001 to strengthen cooperation with civil society actors and to respond to their concerns. The Center serves nongovernment organizations, including community-based organizations, peoples groups and foundations, as well as trade unions. The NGO Center has, among others, the following main responsibilities: (i) gain first-hand knowledge of and experience with NGOs; (ii) engage NGOs in a continuing dialogue; (iii) improve ADB's institutional capacity to interact proactively with NGOs.

Governed by these two basic documents, ADB activities whether policy reforms, institution building, or specific investments, all use in varying degrees the formal as well as the informal social capital entities in its operations. Detailed examples and case studies are documented in ADB literature and on the web site.

## **VI. Community Investment and Inclusion Fund and Social Capital**

The setting up of a \$300 million Community Investment and Inclusion Fund (CIIF) by the Chief Executive of Hong Kong in August 2002 is a welcome initiative to support the collaborative efforts of community organizations and the private sector. The fund aims to encourage mutual concern and aid among people; promote community participation at the local level; and support cross-sectoral programmes to develop social capital.

Given these objectives, the CIIF expects to: (i) promote community participation, mutual assistance, support and social inclusion provided through strengthened community networks in the community which will in turn help reinforce the sense of belonging in the community, enhance the social networks of individuals and families, broaden the support base available to assist them to resolve their problems and address common concerns; and (ii) encourage and facilitate cooperation between organizations of different nature (such as non-governmental organizations and the private sector), as well as cross-sectoral collaboration (such as welfare agencies and education organisations) in social networking and community support projects.

To be able to accomplish these goals, the Fund will encourage bottom-up solutions that seek to promote the development of social capital, and by supporting local or territory-wide community projects initiated by the community itself.\*This would ultimately promote joint efforts between community groups, corporate bodies or professional groups and the Government to contribute to the social well-being.

## **VII. Appraisal of Social Capital**

We have fleetingly touched on different aspects of the concept of social capital, instances through which it can be recognized more closely, uses to which different development institutions are putting the concept, and finally how it is being used in your own project in Hong Kong, China. This brief narration, I hope, has equipped us to

start examining the concept a bit more rigorously and also sample what the critics of the social capital have to say. What are the aspects that render this otherwise intuitively appealing concept unacceptable to many renowned scholars and academicians (Quibria, 2003). Being selective, in this regard we choose to focus on only a few aspects as given below.

First, the most important issue seems to be the concept of sociological approach of viewing a person in relation to social institutions as opposed to the self-interested economic man who is atomistic and stripped of social relations. The idea of social capital takes off on this relationship with each other and is thus fully rooted in a social perspective of man. We have noted earlier that from the earlier times (Genovese) it has been seen to be a pre-condition for the smooth operation of the markets although the mainstream economists find it difficult to come to terms with it. It is only in the context of development economics, and in search for a universal theory of growth that is applicable to the developing as well as developed world, that the roles of the institutions is getting some recognition in the hands of Williamson, Stiglitz (2002) and Lucas (2002) among others. Lucas (2002) even considers human capital accumulation as a

"social activity, involving a group of people in a way that has no counterpart in the accumulation of physical capital" (Lucas, 2002, 38)

Adam Smith plays on the role of customs, norms and acceptable behavior in explaining the economic functioning of the society, and in this sense takes these social attributes as given. However, the recent more rigorous and analytical formulations that are shorn of vague concepts, would have nothing to do with the social capital and object to the use of the very term "capital". (Arrow 2000, and Solow 2000). Dasgupta (2002) recognizes the disjointed nature of the domain of economists and sociologists vis a vis the social capital when he says:

"Social capital is in a different category from these because it has its greatest impact on the economy precisely in those areas of transaction in which markets are missing. (Dasgupta 2000, 398)"

In addition to the differences in this analytical and philosophical perspective, the real problem lies in the empirical estimation of social capital and its contributions to economic growth. Obviously, the concept is far too complex and varied to be measured in an unambiguous manner, and for all to agree. This is despite the fact that some rigorous field based studies have been done that yield some evidence in the favor of social capital (Putnam 2000, Krishna 2000, Narayan 2000, Grootaert and van Bastelaer 2002). This is also despite the fact that economists like Lebeinstein and Lucas (2002) have made valuable theoretical contributions and have laid foundation for estimations. Lucas notes that the measurement of even physical capital is not straightforward. He says (2002: 56),

"The fiction of 'counting machines' is helpful in certain abstract contexts but is not at all operational or useful in actual economies-even primitive ones."

Our second observation is that mere analytical discussion is hardly adequate to understand, address and resolve the concerns about social capital. One needs to have much more detailed and rigorous understanding of the way development is being panned out on the ground to understand the contribution (positive or negative) of social capital more concretely. We need to ascertain how some of the significant interactions at the community level education, health, sanitation, neighborhood activities get carried out, financed and valued. This can help us understand how certain groups or communities are able to make use of the opportunities while others might not. In a multiplayer government situation, it is also important to see how these groups and communities are

embedded in the system, and how effectively are these supported through a hierarchical system. Krishna observes:

"In cases in which behaving in a coordinated manner assumes a high degree of legitimacy, we find that high social capital is in evidence." (Krishna, p. 89)

And emphasizing the social nature of this coordination, he observes,

"Behavior coordinated by custom, by a norm of appropriateness, is a better guarantee of sustained cooperation, than is behavior backed by individual calculation."

In this context the role of knowledge and information emerges to be an important feature (Turner calls it "knowledgeability", p. 137). Depending upon one's access to information, the nature of interaction among people and sustainability of coordination gets determined. (Eichengreen 1996 describes how information asymmetries and uncertainties can determine the investment decisions). It is a matter of applied social history. Even for the same level of physical capital, societies are able to galvanize and release different amounts of social force and determine outcomes. This is more easily seen when the social interactions are scaled up and large masses of groups gather and create synergies. It is in this sense, that social capital essentially functions as a collateral resource that helps societies draw more out of a given situation.

Finally, through the instrumentality of interaction, social capital helps to bring the broader relationship among business, government and society into the domain of public policy. Business focuses on the market relations and improvises on them. Government provides and maintains a regulatory environment for business to conduct its activities and society to be humming in a healthy mode. And society through its institutions keeps both business and government in consonance with its perspective and vision. This perhaps is the most aggregate, and meta view of the social capital manifestation. Many economists, classical as well as modern, have underscored the need for a more inclusive and cohesive concept of development. This is especially relevant in modern times with the growing pace of globalization.

In its successive rounds, economic development has gradually dealt with critical scarcities and constraints (Hayami, 2001). One of the initial constraints that is well recognized by analysts is related to land. Then labor emerged as a constraint as seen during slavery. Subsequently, technology helped to overcome machine and power constraint. We are now making rapid progress with the help of information and organizational restructuring, social capital resides at the heart of this current phase.

## VIII. Concluding Observations

Let us now go over and pool together some of the main points that we have tried to make above. Firstly, we note that in real life most of the activities and interactions are not purely economic or purely social, etc., but are a combination of several strands. Development draws upon the economic, social and psychological features, etc., in a cohesive manner. Development practice is concerned about addressing any of these features when it becomes a constraint on development. Social capital contributes to this process and facilitates development as economic governance requires both rational actions as well as trust, especially when the investments are on the cutting edge.

Empirically, it is much easier to see the social capital in action at the community level activities. Those of you who are actually engaged in the CIIF, know much more about it as you have experienced how it contributes to the welfare and development of the groups involved. NGOs, civil society organizations and other action groups

have an important role to play in this regard. Their role becomes especially important when faced with adversities. When there is an economic downturn, severe restructuring takes place and people experience dislocations. It is important to put a floor below which people are not allowed to slip, and protect the niche areas of the long-term interest such as health and education. This helps in preserving resilience in the community and society and gives them the courage to rise again when the outlook changes. Given the current phase of globalization, uncertainty and volatility, it is important to reinforce the mutual interactions and support.

Notwithstanding the real significance of social capital at the level of practitioners, there are many unresolved concerns at the theoretical, and methodological levels. There are also issues related to estimating the contributions of social capital. Although much progress is being registered on both the analytical and estimation fronts, the issues are far from being resolved. However, it is useful to keep in view that social capital is not the only concept with outstanding issues. It is also true for many other aspects, especially on the measurement of capital in general.

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## BUILDING THE COMMUNITY THROUGH PARTNERSHIP: SINGAPORE'S EXPERIENCE



**By Amy Hing**

Director of Community and Social Sector Development Division,  
Ministry of Community Development & Sports, Singapore

### INTRODUCTION

1. The growth of the community sector and self-help movement in Singapore is rooted in its migrant history of over a century, when thousands of immigrants came to Singapore from China, India and other parts of Southeast Asia to seek a living. The earliest community and self-help organisations took the form of clan associations and faith-based organisations that provided support and social services for different segments of Singapore's migrant population. The strong community involvement by these organisations put in place a firm foundation for the development of Singapore's community and social service sector.
2. Government's role in the provision of welfare services became formalised after World War II, through the formation of the Social Welfare Department, which is the precursor of the Ministry of Community Development and Sports (MCDS). Our community's needs have evolved with socio-economic and demographic changes, but the "Many Helping Hands" approach continues to be a guiding philosophy. Meeting the community's needs is a shared responsibility of the community and the Government. The Many Helping Hands approach has engendered greater community bonding by providing more opportunities for Singaporeans to participate, to connect, and to shape the society they live in.
3. MCDS's role is to facilitate and nurture the community and social services sector - setting policy directions and making available infrastructure, resources and funding to support the sector. It articulates priorities and plans services to meet new and long-term needs. It oversees resource provision through the master-planning of facilities, promoting manpower development<sup>1</sup> and supporting the use of info-communications technology. It works with umbrella organisations such as the National Council of Social Service and the National Volunteer and Philanthropy Centre to build the capabilities of community and voluntary welfare organisations, and promote good governance and professionalism. Together, they seek to grow and build support for the people sector, working with a growing network of partners - corporations, donors, volunteers, foundations, community and grassroots organisations, schools, and individuals and families.

<sup>1</sup> One key development is the launch of the Social Service Training Institute (SSTI) in April 2003, which was jointly developed by the Ministry and the National Council of Social Service.

4. Some of the key stakeholders and partners are listed in Table 1. These organisations collaborate with one another to meet the needs of the community and grow the voluntary sector.

**Table 1: Some of the Key Stakeholders in Singapore's Community and Social Service Sector**

<b>Organisation</b>	<b>Roles</b>
Ministry of Community Development and Sports (MCDS)	Provides policy direction for the community and social service sector, macro-level planning of social services and resource planning and provision.
People's Association (PA)	Nurtures community bonding and racial harmony through its grassroots movement. Its network of community clubs throughout Singapore provide opportunities for social bonding.
National Council of Social Service (NCSS)	National co-ordinator for voluntary welfare organisations which provide social services. Sets and promotes professional standards for the social service sector, as well as governance and service levels, through functions such as the provision of training and consultancy, the development of a programme evaluation framework and the setting up of the Social Service Training Institute.
National Volunteer and Philanthropy Centre (NVPC)	National body which co-ordinates and promotes volunteerism and philanthropy in collaboration with other agencies and voluntary organisations.
National Youth Council (NYC)	Supports the development of youth and youth organisations through grants, awards, programmes, as well as other support services.
Community Development Councils (CDCs)	Promote community bonding and plan and provide community-based services (working with service-providers) at the regional level. There are 5 CDCs, each headed by a Mayor.
Ethnic-based Community Self-help Organisations	Uplift the social well-being of different ethnic communities through education, social welfare and training. There are currently 5 government-supported self help organisations serving the Chinese, Malay, Indian and Eurasian communities.
Voluntary Welfare Organisations (VWOs)	There are estimated to be at least 400 active VWOs which provide community and social services in different sectors in the community (e.g. youth, elderly, disability) according to their objectives. They include faith-based organisations.

## NURTURING COMMUNITY INITIATIVES

5. In line with the "Many Helping Hands" approach, the growth of the community and social service sector is supported by all parties, the Government, the corporate sector, institutions (including foundations) and the public.

### Generating Resources for the Community Sector

6. Funding and resources are a basic requirement for the growth of the community and social service sector. There are various government grants which provide for core social services, support capability building and promote community involvement to meet relevant social objectives.
7. **Recurrent Funding for Core Services.** Government provides recurrent funding for basic social services. Funding to VWOs for their operating expenditure are covered, and in some cases development costs as well. In line with its philosophy of the community involvement, funding is based on 50% subsidy of operating costs, with the VWO raising the other 50% through fees or donations.<sup>2</sup> The terms of such funding are spelt out in a funding agreement that provides the VWO with the assurance of stable funding over 3 years, as well as the requirements from the VWOs.
8. **Capability building.** At the same time, Government also provides funding to strengthen the sector through capability building. For instance, the VWO Capability Fund (VCF) of S\$30 million (HK\$133.5 million) was launched in August 2002 to help equip VWOs with the resources and expertise to be more effective and professional service providers. The National Council of Social Service (NCSS) administers this Fund. Awards are made by an evaluation panel comprising members from the community and the public and private sectors. To date, over 1100 social service service personnel have taken up scholarships and training courses supported by VCF, and 10 consultancy and research projects have received VCF funding. In addition, the VCF has provided funding for VWOs to pilot 12 new projects. NCSS, the secretariat, plays an active role in working with the VWOs to nurture projects. The areas covered by VCF, and examples of projects funded under VCF are at **Annex A**.
9. As another example, the National Youth Council has a Youth Organisations Capability Development Fund to enhance the capability of youth organisations. This fund helps to help nurture promising start-ups in youth services, facilitate leadership and organisation development and the development of new curriculum to support the organisation's programmes.
10. **Community building.** The Ministry of Community Development and Sports (MCDS) administers various grants that help promote our social objectives, such as active ageing and inter-generation bonding and family development. For example, one project<sup>3</sup> granted funding under MCDS' Active Seniors Programme, brings together 20 retired State table tennis players to popularise table tennis among students and senior citizens. Grants are also available for publication of public education materials on family life and for community organisations to promote family life programmes. Likewise, community organisations can apply for the Community Harmony Grant for projects aimed at promoting inter-racial or inter-religious harmony. For example, the Inter-Religious Organisation has been given a grant to develop an interfaith guide to highlight some of the points organisers of mass social events should consider.

<sup>2</sup> The 50% subsidy-funding base is adjusted in most cases, by means testing. In these cases, clients or users from the lowest 10% of income are subsidised 75% of the costs of the service

<sup>3</sup> Project by the Singapore Action Group of Elders

11. In addition, the Community Development Councils (CDCs) raise funds for community projects covering a wide scope, including support for the needy, promoting racial harmony, inter-generation bonding and environment conservation. The Government provides a matching grant of \$3 to every dollar raised by CDCs to fund their projects. For example, one CDC has put in place a "Temporary Relief Scheme" that provides grocery vouchers to cater to those in immediate need. Another CDC set up the Racial Harmony Youth Ambassadors Programme, involving activities such as young people participating in a home stay with a family of a different ethnic group. This programme helps to promote inter-racial understanding and appreciation, which is of importance to the Singapore community, given its cultural and religious diversity.

### Contributions of the Corporate Sector, Foundations and the Public

12. **Community Chest and other Fund-raising efforts.** The corporate sector and public also provide donations to support community and social service sector initiatives to the respective VWOs' fund-raising efforts. In addition, the Community Chest, which is the fund-raising arm of the National Council of Social Service set up in 1983, acts as a key fund-raising body for the social service sector. For 2002/3, for instance, it raised around S\$42 million (HK \$189 million) through its series of fund-raising events and partnerships with companies and institutions. The amount raised will support 122 social service programmes and projects developed and run by 56 VWOs, which would reach out to over 300,000 beneficiaries.
13. The President's Challenge is another national-level fund-raising events which has been held annually since year 2000. This year's Challenge raised around S\$9 million (HK\$40.5 million) for charity which would be disbursed to more than 45 VWOs.
14. **Corporate Partnerships and Sponsorships.** The corporate sector is also actively involved in supporting the work of VWOs. Companies contribute to specific projects through sponsorships, or by lending their expertise to voluntary organisations (e.g. IT companies lending their expertise to help VWOs manage their in-house systems, or event management companies offering event management expertise on pro-bono basis to VWOs). For example, in the case of the recent President's Challenge, sponsorship in the form of advertising space was provided by a local newspaper agency.
15. **Private Foundations.** There are a number of private foundations operating in Singapore which actively contribute towards charitable causes as well. These would typically be family-based foundations that have played an active role in our community building for many decades and are linked to key philanthropists of the past. These foundations work in partnership with umbrella bodies like NCSS, and also contribute directly to specific community causes.
16. Beyond generating funds, the corporate sector is increasingly playing an important developmental role - in bringing to the community and social service sector the values of efficiency, results-orientation and in developing the idea of social investment. Corporate donors, foundations and donors also demand greater accountability for their donations. All these will have an impact on the way community and social service organisations operate and the skills and competencies they must have.

### Moving Forward

17. With the uncertain economic outlook and changes in the social-demographic profile of the population, there would be new needs which existing sources of funding may not cater to adequately. Increasingly, VWOs and

other community causes are considering additional means of funding to ensure sustainability in their operations. One means is to grow social enterprises, which are viable business models that support social objectives.

18. In recognition of the importance and potential of this new model in supporting community and social causes, the Government has set up a S\$2 million (HK\$9 million) Social Enterprise Fund (SEF) to provide seed funding to nurture the growth of social enterprises. The first batch of approved projects will be finalised in the near future.

### CONNECTORS, CATALYSTS AND CAPACITY BUILDERS

19. Voluntary welfare organisations working independently will not achieve as much as if they work in a more co-ordinated way, tap on shared resources and services, share best practices and innovations and work towards a common vision. Hence, umbrella or co-ordinating bodies such as the National Council of Social Service, NVPC, and CDCs play important roles in the development of the community and social service sector. They add value by:
- a. Catalysing projects through provision of seed funding or by partnering voluntary organisations;
  - b. Matching resources (e.g. donors, volunteers as well as expertise and resources from the corporate sector) to community organisations to enable them to take up additional projects or address new service gaps; and
  - c. Building capacity by lending its expertise to voluntary organisations in specific areas, e.g. coordinating or providing training and info-comms technology expertise.
20. Just as importantly, these umbrella bodies host platforms and networks to facilitate partnerships and sharing. Through these platforms, VWOs can learn from one another, set up joint projects, minimise duplication and connect with sponsors and donors. Such networking platforms may be physical, but increasingly, the umbrella bodies are also using virtual platforms (technology/Internet) to complement physical networks/platforms.

### NEW PROSPECTS THROUGH ENTERPRISING PROJECTS

21. We see exciting examples which illustrate how the corporate sector, umbrella bodies, the public as well as voluntary organisations can contribute towards the growth of the community and social service sector in line with the "Many Helping Hands" approach. The following examples illustrate some resourceful ideas from the ground and the partnership approaches adopted by some organisations.

#### Food from the Heart

22. Food from the Heart (FFTH) is a non-profit organisation that was set up in November 2002, in response to local reports that unsold bread were dumped by bakeries. The organisers acted as the distribution platform to collect unsold bread from around 97 bakeries to deliver to more than 700 needy individuals in 85 voluntary welfare organisations such as nursing homes, children's homes and homes for the aged. This would avoid food wastage whilst providing extra food supplements to the needy.
23. Daily deliveries are carried out by volunteers using their own modes of transport. These volunteers include, for instance taxi drivers from 2 local taxi companies. NVPC helped catalyse this project by providing a grant under its Volunteer Initiative Grant (details in **Annex B**) to FFTH for its start-up costs. Corporate support came in the form of a multinational IT company setting up a delivery monitoring system for the delivery, in addition to the bakeries that had helped to contribute unsold bread. Between February and September 2003, FFTH has managed to collect and distribute around 100 tons of bread, worth around S\$720,000 (HK\$3.2 million).

## Corporate Community Involvement - Agilent and CityCare Charity Group

24. Agilent Technologies provides a shining example of corporate community involvement that has gone beyond donations and fund-raising. Agilent has volunteered staff time and resources to provide science education to disadvantaged youth, a programme which links its corporate involvement to Agilent's business. Staff volunteers are also involved in programmes and outings with the company's beneficiaries which have included the residents of elderly homes and children's homes.
25. CityCare Charity Group was formed in February 2000 by a group of CityCab taxi drivers and today boasts of a membership of around 200. Its active community involvement includes the provision of free transportation to elderly citizens as part of fund-raising activities, organising fundraising events and participation in conservation efforts. CityCare also implemented a project under the sponsorship of Michelin (tyre manufacturer) to provide free daily transportation to around 25 disabled students since January 2002. These drivers had also contributed an hour of their daily earnings towards charitable causes during the Volunteer Month in December 2002.

### "Pass It On"

26. This idea was conceived and developed by Central Singapore CDC's volunteers. People who want to pass on items that are still in relatively good condition can log the information onto the CDC's website (<http://www.passiton.org.sg>). The VWOs can select them for their own clients who need them (for instance, a refrigerator was passed on to a senior citizen living in 1-room apartment). The CDC can also arrange transportation of the goods since it has raised funds for delivery needs. The CDC is now considering the feasibility of making it self-sustaining.

## Highpoint - Beyond Rehabilitation to Self-Sustenance

27. Highpoint Community Services Association (HCSA) operates a halfway house for the rehabilitation of ex-drug addicts. Presently housing about 64 residents and staff, the HCSA has successfully funded around 85% of its operations through income derived from its business units offering services including house removal, delivery services, refurbishing of buildings, painting of houses and rag-and-bone collection. As a next step, HCSA is exploring the feasibility of offering a car-polishing business as well. Involving the residents in the businesses helps to nurture their independence and vocational skills.

## e-Matching Volunteers and Hosting Organisations

28. In response to the growing potential of volunteerism in Singapore, the National Volunteer and Philanthropy Centre set up an on-line interactive volunteer referral system in year 2000 known as Volunteer e-Match. This allows organisations which need volunteers, known as Volunteer Host Organisations (VHOs), to specify their volunteer needs, and at the same time allows volunteers to register on-line for volunteering opportunities according to their interests.<sup>4</sup> VHOs can then seek out volunteers based on the latter's interests.
29. The Volunteer eMatch has registered a total of more than 9,000 volunteers and 340 VHOs across sectors, e.g. arts and culture, heritage, environment, sports, health and social service. To date, it has facilitated over 20,000 successful referrals to VHOs. Within 2003, the system facilitated more than 5,400 successful referrals.

4 E.g. by sector (arts, sports, social service etc), activity, location, beneficiary, time preferences.

## CONCLUSION

30. The development of the community and social service sector in Singapore has come a long way. Today, the sector today sees participation from Government, umbrella bodies, the corporate sector and the voluntary organisations, each playing different but complementary roles, and seeking creative ways to grow the sector and meet new challenges.
31. Going forward, we see partnership models evolving to serve new needs. We also envisage different members of the community building on their unique strengths to help grow the sector in enterprising ways.

Ministry of Community Development and Sports, Singapore  
October 2003

## ANNEX A

### THE VWO CAPABILITY BUILDING FUND (VCF)

The VCF, which was launched in August 2002, supports capability building of VWOs in the following areas:

- a. Training VWO staff through local and overseas courses and scholarships;
- b. Start-up funding for social service pilot projects to meet service gaps<sup>5</sup>;
- c. Consultancy projects to improve VWOs' internal administrative, financial and personnel systems;
- d. Research that contributes to the improvement or introduction of social intervention programmes; and
- e. Equipping VWOs to adopt info-communications technology.<sup>6</sup>

#### Examples of projects funded under the VCF:

1. **Volunteer Management System (VMS) for the Association of Muslim Professionals (AMP).** The AMP is a self-help group for the Malay community in Singapore. The proposed VMS is a client-server based software that will assist AMP to maintain and manage the volunteers and clients information effectively and efficiently. The system will enable AMP to better manage volunteers' interest and skills towards clients and organisational needs and ensure efficient and effective deployment of available volunteer resources. The VMS can be further developed / customised to serve similar needs of volunteer data management for other VWOs.
2. **Support Programme for Survivors of Suicide for the Samaritans of Singapore (SOS).** The SOS provides counselling services to those in distress. The proposed Support Programme is catered for those who have lost a loved one to suicide. Each run consists of 6 regular sessions, facilitated by trained staff and volunteers from SOS. This is a first of its kind service for the community and will provide support and counselling for all affected family members.

<sup>5</sup> Such projects may not be immediately eligible for the mainstream Government funding, and need some time to prove their effectiveness.

<sup>6</sup> Funding is available for basic hardware, and applications that enhance service delivery and operations.

3. **Research Project for the Association of Persons with Special Needs (APSN).** The APSN supports the education of persons with mild mental retardation. The proposed research project will focus on developing a framework for curriculum development for this group to facilitate the review of existing curricula and develop future curricula for special schools. The curriculum framework will be an important reference and basis for further development of special education in Singapore.

## ANNEX B

### VOLUNTEER INITIATIVE GRANT (VIG)

The VIG is administered by the National Volunteer and Philanthropy Centre to provide seed money, on a co- or partial funding basis, for new volunteer initiatives.

These could be new start-ups or new programmes (in its conceptual or trial phase that can be formally implemented within 1 month of obtaining the Grant) that address current or anticipated concerns.

The initiative should:

1. Meet a gap in the needs of the community
2. Be new, not offered by any other non-profit group
3. Have a strong volunteer element (i.e. apart from a small core team of staff, the programme should be run largely by or with volunteers)
4. Be sustainable over the years
5. Have existing funds to meet the co-/partial funding requirement

The initiative also has to be secular in nature, be a non-profit venture and is not purely social or recreational in nature.

The initiative may be co-funded dollar for dollar, subject to a maximum of S\$50,000.

The money can be used for start-up costs, as well as for volunteer recruitment, training and development purposes. The money cannot be used to fund manpower and routine operating costs.