CENTRE FOR CONTEMPORARY CHINESE STUDIES

Rural Charities and the Conundrum of Social Governance

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The Chinese Communist Party's (CCP) emergent doctrine of social governance (shehui zhili) has at its heart a conundrum. Social governance aims to encourage nongovernmental actors like nonprofit organisations and private companies to play a part in both social service provision and the management and control of the broader populace. With increasing prosperity, in some parts of rural China local charities I call 'face funds' have begun to emerge, providing support for elder-care and education. On the face of it, cash-strapped local governments ought to welcome any assistance they can get, especially if that means they can save money but still claim political credit for any benefits. Yet allowing non-state actors to participate in welfare provision risks granting them popular recognition and social influence that could weaken the state's decades-long claim to be the sole legitimate source of social and political authority.

Adopting the perspective of the local state, Chinese scholars have noted quite bluntly that "social organisations are double-edged, [as they] can both alleviate the social management pressure of local governments and challenge their authority." Officials at the rural, grassroots levels of government most directly confront the conundrum. For them, the question is: How can the state reconcile its desire to benefit from private welfare provision with its need to maintain control?

Since 2014, I have been investigating the emergence of village and lineage-level welfare funds (jijinhui or aixin xiehui) in parts of semi-industrial rural China. The initiators of these charity actions are motivated in part by a strong desire for recognition, or "face" (mianzi), within the community. These "face funds" are mainly concerned with longer-term charitable causes like aged care and education, though they also engage in one-off disbursements to eligible villagers who meet with sudden and costly medical expenses. However, these are not ordinary charity organisations, or anything else that fits a neat category—they are hybrids.

The dominant model of face fund also operates as an informal local credit organization. The initiators—typically local factory owners or successful entrepreneurs—collect money in the form of donations or interest-bearing deposits from villagers, then they lend all of this money out to village enterprises at a higher (but still reasonable) rate of interest. Most villagers donate something, according to their means.

The funds use only the interest paid by borrowers to pay out benefits, so the principal can only increase, and the fund is indefinitely sustainable as long as nobody defaults on a loan.

One example is what I refer to as 'The Botian Village Philanthropic Fund', which was established in January 2012 with a one-off allocation from the local village committee of 1.1 million renminbi (AU$230,000), plus about 300,000 renminbi in donations from the village public. The fund began taking interest-bearing deposits in 2013. By September 2015, donations had climbed to over 800,000 renminbi, but "individual deposits" stood at over 6 million renminbi (AU$1,000,000).

In 2015, the fund was lending out money at a rate of about 12% per annum and paying depositors a rate of about 5% per annum. From this, the fund collected 675,000 renminbi in interest, most of which it used to give out monthly pension payments to the village's senior citizens. The fund gave 100 RMB to people aged 65 to 69, increasing to 400 RMB for elderly villagers aged 90 or older. Eligibility was determined solely on age and village membership, not the economic conditions of the recipient.

In total, I have documented more than 30 separate funds, with the smallest having an accrued principal of 350,000 renminbi and the largest (The Botian Village Philanthropic Fund) over 8 million renminbi. I have so far found them in two different provinces that are quite distant from one another and do not have any apparent strong business connections. That is, very similar forms of informal socio-economic organization (the face funds) have emerged independently in these two places.

Moreover, in both provinces, these funds have spread rapidly. For example, I documented four funds in one township in May 2014, growing to at least seven funds by September 2015 and doubling again to 14 separate funds by January 2016. In September 2017, the head of the township's Civil Affairs Bureau assured me that there were "over 20" such funds—covering about two thirds of the villages in that township.

Although their numbers are growing, for now the only way to find out that a fund exists is to be in the local area and ask the right people (certain government officials and the fund managers or contributors themselves)—and hope to get an honest answer. There are no published records, online or otherwise, that detail the operational form of these funds. Indeed, most face funds are not registered with the government agency responsible for oversight of charitable social organisations, the Civil Affairs Bureau. This means that they are deemed "non-legal"—an ambiguous classification that allows for them to exist and operate, but from which they can easily be shifted into the category of "illegal" and promptly closed down should the local authorities decide to do so. In my experience, government officials have always denied knowledge of unregistered (thus "non-legal") funds until after they have met with me a few times.

Despite the potential threat to local authority these face funds could represent, they have been allowed to survive and even grow. This may be in part because their scope is limited to a particular lineage or village, typically numbering only about 1,000 people. Non-state social organisations are seen by the state as threatening if they grow too large and/or if they cross geographic/administrative boundaries; official oversight and control is facilitated by limiting the funds' geographic scope and maintaining the separation between them. In this way, the funds do not present a unified front and can be played off against one another if need be—for example, by shutting down one fund for a minor transgression in order to bring other funds to heel.

Moreover, since face funds depend upon private capital, they tend to emerge in relatively well-off areas that are not prone to incidents of social instability; thus, the local authorities can be expected to take a relatively open attitude towards their activities. As other scholars have argued, local authorities in more affluent areas tend to allow more operational space and flexibility to non-state social organisations than authorities in poorer areas. The very fact that I have been able to conduct years of field-based research in these areas also demonstrates that local authorities view these funds as having an overall positive effect on local social stability.

In part because the borrowers of fund principal are local factory owners, and their local reputations and personal connections are essential to the successful conduct of their business, there has only been one instance of default and fund collapse in the past four years in the thirty-plus cases I have studied. Even the possibility of default, however, frightens local authorities. If a default drives villagers to protest, such an incident of "instability" could stop local cadres' careers in their tracks. At the same time, local authorities have long sought to claim at least partial credit for the funds' goods deeds.

In a move to redirect political credit for the funds' welfare actions towards state authority, in 2015 the existence of the funds was at last publicly acknowledged by local authorities in the province where Botian village is located. Within one year, grassroots cadres were explicitly directed by their superiors to register the funds—and indeed all social organisations in their region—with the county Civil Affairs Bureau. Local officials subsequently began to apply informal pressure on face fund managers. Initially, this push was met with reluctance by fund managers—in part because formal registration involves accepting certain limitations on their borrowing and lending activities—but the registration drive is now gaining momentum. Although unregistered funds still greatly outnumber registered ones, most newly-emerging funds are registering, and many pre-existing funds that previously dismissed the idea out of hand are now considering registration. Aside from allowing local officials to claim political credit, the move to registration should also be understood as an assertion of Party-state regulatory authority. Increasingly in Xi Jinping's China, the Party demands to be seen as leading social development and to be acknowledged as the sole source of legitimate authority.

Social organisations that fail to comply with the demand for registration are increasingly less likely to get away with it. The Civil Affairs Bureau publishes blacklists of non-compliant or incorrectly registered charitable social organisations, ostensibly to warn the public to keep away—but clearly also sending a strong message to those funds that have not smartly stepped into line when told to do so.

Still, despite the government's desire to ensure proper 'social governance' by registering face funds with the state, local authorities in these areas of rural China cannot press too hard. They are kin and fellow villagers of the factory owners who manage the funds and, importantly, depend on them for both local economic development and the welfare and public goods that they now provide. How the situation develops in the future depends centrally on how local state actors manage the political, economic, and (not least) moral interests of local elites and the populations that they are socially embedded within.