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People's Republic of China: Nongovernment Organization-Government Partnerships in Village- level Poverty Alleviation

(Financed by the Poverty Reduction Cooperation Fund)

Compiled by Li Xiaoyun and Joe Remenyi, based on additional inputs from Kang
Xiaoguang, Jiang Jinfa, and Duan Yingbi

Beijing, PRC

TA Executing Agency: State Council Leading Group Office of Poverty Alleviation and
Development (LGOP)

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Asian Development Bank



Asian Development Bank (ADB) Technical Assistance to the
People's Republic of China (PRC)
TA 4580-PRC: NGO-Government Partnerships in Village-level Poverty
Alleviation

Policy Report on NGO-Government Partnerships in Poverty Reduction in the PRC

**Conclusions and Recommendations Arising from
LGOP-ADB Sponsored Pilot Testing in Jiangxi Province (2005-2008)**

Prepared by the TA 4580 Consultant Group for Policy and Mechanism Design:

Li Xiaoyun, Kang Xiaoguang, Jiang Jinfa, Duan Yingbi, Joe Remenyi

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PREFACE

The People's Republic of China (PRC) has made significant progress in poverty reduction, decreasing absolute poverty from roughly 250 million people in 1978 to 14.8 million in 2007 (using the official annual per capita income line of CNY785). Persistent and emerging challenges remain, however, as reflected in a deceleration in poverty reduction despite rising government support. Better targeting and innovative new approaches that broaden and deepen grassroots participation is needed to tackle remaining poverty, which is increasingly concentrated in hard-to-reach and vulnerable groups (e.g., women and the elderly, ethnic minorities, and those living on remote and/or degraded land).

In light of global experience, the State Council Leading Group Office of Poverty Alleviation and Development (LGOP) and other PRC government agencies increasingly recognize the largely untapped potential of nongovernment organizations (NGOs) and other civil society actors as partners in state-supported poverty work. The China Rural Poverty Alleviation and Development Outline (2001–2010) explicitly calls for "NGO participation in and implementation of government poverty projects". However, due to the lack of clear models and mechanisms or a broader a supportive institutional environment, this latter thrust had not been largely operationalized by 2005.

To explore workable mechanisms to operationalize NGO-government partnerships, the Government sought support from the Asian Development Bank (ADB), approved as technical assistance TA 4580-PRC: NGO-Government Partnerships in Village-level Poverty Alleviation in 2005. With support and guidance from the Ministry of Finance, LGOP and Jiangxi Poverty Alleviation and Development Office (PADO) and other Jiangxi Province counterparts launched a pilot test in selected counties in Jiangxi in 2006, working jointly with ADB and the China Foundation for Poverty Alleviation (CFPA) under TA 4580. The pilot's success in pioneering the PRC's first channeling of poverty alleviation budgetary funds to competitively selected NGOs, which worked with local governments to facilitate participatory village poverty alleviation and development planning (VPADP), the PRC's flagship grassroots poverty program.

This Policy Report distils key findings from the TA's Jiangxi pilot test and desk research, with the aim of proposing a set of the recommendations for consideration by LGOP and other relevant agencies at central and provincial levels.

Content of the report was drafted by a group of TA consultants tasked with mechanism design and policy dialogue headed by Professor Li Xiaoyun and also including (in alphabetical order) Prof. Duan Yingbi, Professor Jiang Jinfa, Professor Kang Xiaoguang, and Dr. Joe Remenyi. ADB Social Sector Economist and project officer, Dr. Chris Spohr provided guidance and additional inputs.¹ Finally, the Policy Report embeds findings from ADB-supported research with the PRC Ministry of Civil Affairs on international models for government outsourcing of public services to NGOs.

The team wishes to note its sincere appreciation for guidance and support from LGOP, MOF, counterpart agencies in Jiangxi and the pilot counties of Ningdu, Le'An, and Xingguo, as well as from CFPA, the implementing agency for the TA's pilot test.

¹ Content herein reflects the views of the author and not necessarily those of the State Council Leading Group Office of Poverty Alleviation and Development of the People's Republic of China or the Asian Development Bank, its Board of Directors, or the countries they represent.

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PRINCIPAL ABBREVIATIONS

ADB	Asian Development Bank
CFPA	China Foundation for Poverty Alleviation
LGOP	State Council Leading Group Office of Poverty Alleviation and Development
M&E	Monitoring and evaluation
MOCA	Ministry of Civil Affairs
MOF	Ministry of Finance
NDRC	National Development and Reform Commission
NGO	Nongovernment organization
PA	Poverty alleviation
PADO	Poverty Alleviation and Development Office
PRC	The People's Republic of China
TA	Technical assistance
VPADP	Village poverty alleviation and development planning

1. Background

1. The People's Republic of China (PRC) has achieved remarkable progress in poverty reduction as a consequence of rapid economic growth and sustained investment by the government in poverty reduction programs since at least the early 1980s. This effort has seen the official incidence of rural poverty decline tenfold in the PRC to less than 25 million by 2005—the year in which this technical assistance (TA) was approved. However, since 1999, the gain in poverty reduction has been at risk, despite continuing investment by government at different levels, the rate of poverty reduction has not kept pace. There are a number of reasons why the rate of poverty reduction has not been sustained, but it is commonly thought that a prime reason is the low social rate of return to public expenditure on poverty reduction. How these funds are managed, the inefficiency with which they are targeted, and the inappropriateness of what the funds are expended on are widely regarded some of the main reasons why the impact on poverty reduction and the social rate of return have stalled, if not declined.

2. Participation by NGOs in the delivery of social services and pro-poor project activities has proven to be an effective way to improve the efficiency of government spending on pro-poor social development and program quality in many developed and developing countries.² In the USA the government has been purchasing social development services from private sector providers for more than 200 years. Similarly in Great Britain, government support for civil society providers of education services, public health programs, environment and waste disposal, potable water systems and many other social services since the dawn of the industrial revolution in the 18th century. Government-private partnerships of this sort flourished across Europe and much of the colonial world, including especially Germany and Holland in Europe, Australia, New Zealand, India and Indonesia in the old colonial outposts of Europe, and in Japan post 1945. So much is this so, that public funding for NGOs and private 'not-for-profit' enterprises are an integral part of the structure of the social development sector in these countries, especially in education, public health, social welfare, employment assistance, community housing, credit and small enterprise finance, public safety, etc.

3. The spread of NGOs as providers of publicly funded services is not limited to Europe and their former colonial territories. It has also become common for governments to purchase services based on competitive market tenders in East and Central Europe and in transition economies like Vietnam, Mongolia and the republics of the former Soviet Union. For example, in Armenia, between 1998 and 2002, the government entered into partnerships with more than 100 local NGOs to assist with re-settling refugees and rehabilitation of local community groups and Water Users Associations. The role of the government in partnering with NGOs in Armenia was to ensure that NGOs are legitimate and do not have ulterior motives including profit making or avoiding taxes. The government used funds raised from donors such as IFAD to engage NGOs to assist with rural development by mobilizing additional local investment resources, and training in both the agricultural and business sectors to address key constraints to productivity and income improvement and the development of community managed social services. At the end of this project, the key lesson learned was the critical importance of selecting an appropriate NGO with which the government will partner.

4. NGO participation in a wide range of pro-poor development activities is now commonplace in developing countries. NGO-government cooperation is perhaps most

² Discussion of international experiences herein draws on work under noted ADB collaboration with the PRC Ministry of Civil Affairs NGO Administration Bureau, including draft reports prepared by Jia Xijin, Su Meng, Han Junkui, Sun Jie, and Steve Commins.

visible in South Asia, but it also plays an important role in other parts of Asia and in Africa. In the Indian state of Kerala, the government went so far as to legislate, in 1996, to decentralize 40% of its development budget to community-based organization for implementation. In Bangladesh, the government contracted BRAC, the Bangladesh Rural Advancement Committee, to take a leadership role in phases II and III of the nation's pro-poor rural development program. Between 1989 and 1996, BRAC administered a program involving nearly £75 million of government funds, consolidating BRAC's reputation as one of the most successful poverty reduction NGOs in the world. BRAC pioneered a non-minimalist approach to supporting the income generating activities of poor households, which today survives as BRAC Bank, one of the largest and most successful microfinance institutions in the world.

5. In Africa, NGO-government partnerships have been particularly noteworthy in environmental monitoring, conservation and sustainable biodiversity planning. Between 1997 and 2002, the governments of Burkina Faso, Cameroon, Ethiopia, Ghana, Kenya, Sierra Leone, South Africa, Tanzania, Tunisia, and Uganda collaborated, with the assistance of multilateral agencies such as UNEP and the World Bank, to establish an environment facility totaling almost \$12 million. This money was to be used to allow NGOs and Governments, which had contributed almost \$7 million in co-financing, to work together to cut the loss of forest habitats and identify and protect areas of rich biodiversity. The program was found to have strengthened governments in conservation planning and priority setting while participating communities increased income from tourism and other sustainable activities. Here too, however, selection of the right NGOs with which to partner was critical to success.

6. Looking to broader evidence, the government of Cambodia discovered similar benefits from contracting out management of government health services to NGOs in five districts in 1999. The program was found to increase the availability of 24-hour service, reduce provider absence, and increase supervisory visits, with some evidence of improved health outcomes. About 1.26 million people, or about 11% of Cambodia's population benefited from the program because of significant increases in targeted service outcomes and significantly better health center management. A parallel study done in 2005 of NGO-Government partnerships in healthcare, education, water and sanitation services in six countries – Bangladesh (water), India (sanitation), Malawi (health, education), Nigeria (health), Pakistan (health) and South Africa (education)- found similar positive results. Essential elements of successful NGO-Government Partnerships were found to be: (i) the existence of a constructive poverty reduction strategies policy dialogue between government, NGOs and potential donors; (ii) establishment of an appropriate regulatory framework for the implementation of NGO-Government Partnerships, especially by creating an environment of certainty in which NGOs can operate with security; and (iii) willingness by the public sector to facilitate the contracting of non-state service providers.

7. Although the NGO sector is in a more nascent stage of development in the PRC than in some of these countries, NGO-government cooperation has also begun to emerge. In 1999 the government of Hong Kong sought to purchase social welfare services from NGOs using funds derived from local lotteries. During 1999-2000, the government set aside \$ 64 million for directly financing social welfare services by NGOs. In 2008-2009, subventions to NGOs for financing about 2,669 agreement service units amount to \$8,036.8 million. In addition to these subventions, the government earmarked a further \$647 million to purchase welfare services from operators in the private and NGO sectors, including residential care homes for the elderly, enhanced home and community care services, elderly home places and other welfare services. Funds are allocated to NGOs on the basis of a competitive bidding procedure, which includes the monitoring of contract compliance, and the benchmarking of performance standards to ensure continuous improvement of service quality. All participating NGOs must abide by Accreditation and Procurement Procedures

issued by the Corruption Prevention Department of the Independent Commission Against Corruption. Through this program the Hong Kong government has accumulated abundant experience and established a series of systematic and sound regulations that constrain NGOs' activities to the rule of law and encourage the provision of better services for disadvantaged groups. It's a win-win situation. However, experience has shown that success is greatest where procedures are clear and simple and emphasis is on monitoring outcomes.

8. The PRC has a long history of the state-civil society joint function alike in delivering social services such as collecting tax, irrigation management, maintaining social order and natural disaster relief etc, although contemporary civil society in the PRC is the product of modern development. After 1949, the Chinese Communist Party turned the weight of its shoulder to rejuvenation of the country. Core to this mission was a popular grassroots administrative regime based on production units and work brigades. In this grassroots society, all political, social and economic affairs were managed by the state; the real civil society was on the verge of vanishing. During 1949-1978, the government had displaced civil society in all areas of public service in the country. Since 1978, the government of the PRC has gradually sanctioned an increasing role for civil society in almost every area of economic policy, political action, cultural development and the legal environment. As a consequence, civil society has flourished, but the government has been left with the challenge of how far to decentralize. The PRC government is very aware of the negative consequences that can be generated by a polarized society, the switch to market-based reforms, the emergence of significant income and wealth inequalities and a rapidly changing external environment.

9. The PRC's entry into the WTO marked not only a watershed in the globalization of the PRC economy, it also heralded the emergence of a far more demanding populace in terms of the diversity and quality of public services. The PRC government responded by increasing its expenditures in social development and social security, but the demand for social services is so great that opportunities for civil society and government to work side-by-side have burgeoned. It is not surprising, therefore, that the development of PRC civil society has tracked the emergence of 'excess-demand', (i.e., demand beyond what the public sector can provide), for public services. Examples such as the China Youth Development Foundation (CYDF's) Project Hope, established to help with the education problems in rural areas, and the China Foundation for Poverty Alleviation (CFPA), which works to assist the government of the PRC to lift urban and rural people out of poverty, are no longer isolated cases. In Beijing³ and Shanghai⁴ local government departments have taken the lead and have already begun to encourage local NGOs to tender for the delivery of service packages. For instance, the Justice Department of Dongcheng District of Beijing purchased services for its community psychological help program via open tendering to NGOs. The Labor and Social Protection Department of Shanghai has contracted Shanghai Charity Organization to provide training for laid-off female workers.

10. Nonetheless, obstacles to the full flowering of civil society remain that must be addressed if the potential contribution of civil society to on-going progress in pro-poor development is to be fully realized. Since 1978, the reforms that the PRC government has made, have established a fruitful environment for the emergence of indigenous civil society institutions, which augers well for the creation of effective partnerships between government and civil society in the on-going challenge of pro-poor development in the PRC.

11. The development of civil society in the PRC, however, faces serious political and social challenges. First, there continues to be a concern in the PRC that civil society organizations could affect social and political stability in the country, which requires civil

³ http://blog.sina.com.cn/s/blog_4bc202080100bmk0.html

⁴ <http://www.shanghai.gov.cn/shanghai/node2314/node12959/node12961/userobject21ai150492.html>

society to be under tight control. Second, in PRC, despite the fact that the PRC has been transformed from a totalitarian state into a more liberal and market oriented state, the governing structure in the PRC remains authoritarian. Third, although the government of PRC usually funds government affiliated NGOs, access to official channels of government departmental funding, particularly by entities that are not associated with the government, is almost impossible. There is no earmarked space within the poverty reduction budget, for example, for NGOs to be funded to do anti-poverty work, even though there is a clear statement encouraging NGO participation in rural poverty reduction in the National Rural Poverty Reduction and Development Plan for 2001-2010. Consequently, to explore the reforms needed to enable NGOs to access the government budget is core to the constraints that hold back the tide of closer and more extensive NGO-Government partnerships in the PRC. Given the widespread support that exists among donors and NGOs for closer partnerships with government in pro-poor development, together with the wealth of international and national experiences from which lessons can be learnt about how to design and implement NGO-Government partnership in pro-poor social development, the field of poverty reduction is well placed, and as well as being endorsement by government policy, to take the lead in piloting NGO-Government Partnerships widely across the PRC.

12. With the foregoing in mind, at the end of 2005, with strong support from the Ministry of Finance (MOF), the State Council Leading Group Office for Poverty Reduction and Development (LGOP) and counterparts in Jiangxi Province, Asian Development Bank (ADB) and China Foundation for Poverty Reduction (CFPA) began work under technical assistance TA 4580-PRC: NGO-Government Partnerships in Village-level Development. The TA's guiding, longer-term goal was reduced rural poverty, with NGOs mainstreamed within more effective, efficient, and well-targeted PA programs throughout the PRC. The TA's central objective was formulation and demonstration of replicable models and mechanisms for NGO participation in government-funded village-level poverty alleviation (PA) efforts. As illustrated below, the TA had 4 components, with the principal outputs targeted by TA completion shown in italics and the main implementation responsibilities shown to the right:

Component and Key Output Targeted by TA Completion	Lead Implementation Responsibility
(1) Context Analysis, Mechanism Design, and Framework Formulation – <i>Consensus on comprehensive framework for NGO-Government partnerships in reducing poverty, incorporating demonstrated models and mechanisms and concrete recommendations for institutional and policy reform.</i>	A group of individual consultants, jointly selected by ADB and LGOP
(2) Capacity building for NGO-Government Partnership – <i>Key capacities built among governments for effective cooperation with NGOs in village PA work, framework development and initiation of a capacity building program for local NGOs, and dissemination of guidelines and core resource materials to support post-TA replication of NGO and government capacity building.</i>	Sub-team 1 of a firm-based consultant team
(3) Pilot Test Support and Implementation – <i>NGO capacities for participation in PA efforts built, and successful pilot test completion, with new mechanisms proven viable in 16 pilot and 3 hybrid villages by project end.</i>	CFPA
(4) External Monitoring and Evaluation (M&E) – <i>An objective and externally credible assessment of the efficacy and impact of NGO-implemented projects, including quantitative and especially qualitative dimensions, as well as comparisons to government-implemented PA projects in small control and hybrid samples of villages.</i>	An independent sub-team 2, under the consultant firm

13. This technical assistance project (TA 4580) was implemented for nearly three years, centering on a pilot test (component 2 noted above) in selected villages in Jiangxi Province.

The objective of these pilot projects was to examine ways to realize more effective, efficient and target-oriented poverty reduction through the participation of NGOs in government funded poverty reduction activities in rural the PRC. The pilot projects would test at village-level the poverty reduction effects with and without the participation of NGOs. The hypothesis was that not only can NGOs work effectively with government at village level as partners in the implementation of poverty reduction spending, but that the outcomes in terms of process and well-being of poor villagers would be positive and replicable. Evidence drawn from the pilot studies would create a basis for nurturing a consensus on the importance of adopting reforms to allow NGOs to be integrated into the PRC's national poverty program.

14. The project's pilot test was implemented in two phases—(i) a first round of competitively selected NGOs was competitively selected in February 2006 and completed initial capacity building and entered villages in around April 2006; and (ii) a second round of NGOs was announced and commenced work roughly one year later—village projects were generally completed by June 2008 or earlier. The pilot test was located in three key working counties for poverty alleviation and development (henceforth simply "poverty counties") of Jiangxi Province: Le'An, Xingguo, and Ningdu Counties. For the pilot test's first phase (phase 1), two pilot townships were chosen in each pilot county, with one pilot village selected from among designated key poverty villages (*pinkun cun*) in each pilot township. Phase 1 also involved four control villages (wherein village poverty programs were implemented by government alone), as a comparator for NGO-government partnership in the 6 pilot villages. In phase 2 of the pilot, ten additional pilot villages were added, along with three villages employing a second "hybrid" modality of NGO-government cooperation described below, as well as three additional control (government-only villages).

15. All 26 villages chosen to participate in the project's experimental pilot test were designated poverty villages. As noted above, in seven "control" villages, the government would continue to manage and implement poverty reduction activities, while in 16 "pilot model" and three "hybrid model" villages (see also below), NGOs would be involved either with government or as a contractor on behalf of government. The NGOs which won the bid to organized villagers in implementing poverty reduction and development plans, were also responsible for managing government poverty reduction funds, all aspects of project implementation, documentation, training and data gathering.

16. The TA 4580 design enables rigorous comparison of three modalities which are:

- Modality 1 involving 16 pilot villages with PA activity which started in six pilot villages in the first year (phase 1) and at least 10 pilot villages in the second year (phase II).
- Modality 2 involving three hybrid villages with PA activity starting in the second year (phase II).
- Modality 3 involving seven control villages, of which, 4 commenced at the same time as the six phase I pilot villages, and 3 commenced at the same times as the phase II pilot villages.

17. Each participating village is to have access to the same level of mainstream PA resources (Bureau of Finance-controlled PA budgetary grants)—similarity will probably be determined on a per capita support basis.

18. TA 4580 embedded an experimental framework that allowed rigorous M&E to test the hypothesis that NGO involvement in pilot villages could increase the impact of poverty alleviation planning and implementation in a transparent, efficient and replicable manner, while also increasing the sustainability of these benefits by building increased capacity within villages and a supportive environment among government agencies.

19. To this end, indicators were devised to measure change in the following three areas:
- (i) The process followed in developing and implementing the participatory Village Poverty Alleviation Plan (VPADP) within pilot and control villages;
 - (ii) The inputs/outputs involved in developing and implementing the VPADP within pilot and control villages; and
 - (iii) The impact on community engagement and satisfaction of implementing the VPADP within pilot and control villages.
20. Impact on process, participant satisfaction and anti-poverty activities initiated was recorded using four sweeps of the M&E plan. The first M&E sweep was carried out during July of 2006, when Phase I villages completed their village poverty reduction planning. Thus the first M&E sweep focused on the planning processes at Phase I villages. The second M & E sweep was carried out in July of 2007, to measure both the plan implementation in Phase I villages and the planning process in Phase II villages.

II. Basic Conclusions from the Pilot Test on NGO-Government Partnerships in Village-level Poverty Alleviation and Development Planning

21. After three years of experimentation in TA 4580 Phase I pilot villages, new participatory modes of cooperation between pilot village communities, NGOs and government have been credited with increased satisfaction of village groups. Some challenges were encountered, reflecting a lack of flexibility on the part of both public officials and some NGOs, but the dominant outcome has been greater involvement of underprivileged groups in project communities, improved accuracy of targeting at low-income households, enhanced credibility of the government, and more efficient use of poverty reduction funds. The role of local governments in pilot villages has been transformed to allow local government to focus on administration and supervision of funds flows.

1. Management Mechanisms and Procedures for Civil Society Participation in Public Service Provision Have Been Systematically Tested

22. Competitive bidding procedures were used to select NGOs to be involved in TA 4580 pilot village activities. The China Foundation for Poverty Alleviation (CFPA) took responsibility for organizing the public bidding process and compilation of lists of potential NGOs that might be chosen to work with the Poverty Reduction Office of Jiangxi Province. CFPA organized an expert reference group of experts to assist in the NGO selection process and advise Jiangxi Poverty Alleviation and Development Office (PADO) on the capacity of competing NGOs to implement participatory planning and the village level implementation of poverty reduction pilot projects. The expert panel assessed each NGO and the bidding process to ensure integrity and fairness in the preparation of bidding documents (letter of invitation, notices to NGOs for bidding, format of technical suggestions, draft agreement of implementation and other documents); receipt of bids, completeness of tendering procedures (releasing news for bidding, presenting letter of intention for bidding, distributing bidding documents, answering mechanism, receiving bidding documents); bid appraisal, and awarding of implementation agreements (setting up bid appraisal board, establishing bid appraisal procedures and requirements, negotiations of implementation agreement, confirmation and declaration of bid appraisal results).

23. The following characteristics were featured in the bidding process: First, the principle of openness and transparency. The kick-off ceremony of the project and NGO bidding press conference were held at the Great Hall of the People on December 19, 2005. CF PA released the news of the pilot project and selection of NGO by bidding on the Internet or other media prior to the ceremony. CFPA held a press conference on February 21, 2006 to

announce the first group of 6 NGOs who were the successful bidders. The process tested an objective set of selection criteria and procedures, consisting of two phases: examination of qualification and appraisal of quality of technical proposals. The CFP selection panel of experts gave marks for technical content of each bid, and prepared a report on the successful NGOs.

24. The NGO selection process was praised by the participants as impartial, independent and technically proficient. Close attention was given to the selection procedures, which gave preference to NGOs active in Jiangxi Province or with prior experience in Jiangxi, as a test of the selection framework for orderly participation of civil society in public sector funded pro-poor service delivery. The selection framework proved to be robust and well received by all involved. The selection framework is readily replicable, not overly expensive or onerous in terms of time required, but rigorous enough to ensure that the NGOs selected to participate in national development projects have been subjected to appropriate levels of assessment.

2. Capacities for Effective NGO-Government Cooperation Have Been Built at Various Administrative Levels, and a Means Established for Tapping Complementarities and Joint Mobilization in Poverty Efforts

25. As the pilot project involved different government departments at central, provincial, county and township levels, plus village committees, it was important for all levels of government to support and understand the procedures by which NGOs would be supervised. From the perspective of the central and provincial levels, supervision was closely linked to the competitive bidding and NGO selection process. Financial authorities required clear identification of how, on what and when poverty reduction funds would be spent. The Ministry of Finance and the Provincial Department of Finance held numerous rounds of discussion over the transfer of accounts to facilitate pilot project schedule of activities. The pilot project shifted the function of government to supervision, which enhanced the supervision procedures of local government officials, which alleviated the management burden on government.

26. At local levels, the county Poverty Reduction Offices and governments of townships were more inclined to stay on the fence at the initial stage of the project as a result of inadequate understanding of the project and lack of awareness of the significance of the pilot project in terms of policy and the shift of responsibility between government and the contracted NGO. After the field works of NGOs and training and visits abroad for government departments organized by the Poverty Reduction Office of Jiangxi, the Poverty Reduction Office at county levels and governments of townships became aware of the significance of the project, and subsequently provided energetic support to the pilot project, coordinated with competent local government authorities in solving problems encountered by NGOs in their work—particularly by non-local NGOs. A series of project-related activities helped to lay a solid foundation of trust in NGOs by local government departments.

27. Though the relationship between township government and village committee is that of instructing and being instructed with the latter as an organization of villager leaders, the fact is that village committees have become quasi government departments, designated to fulfill assignments of government departments at higher levels. Village committees used to have the most direct experience of the low efficiency of public service provided by the government. In the pilot villages, NGOs took charge of poverty reduction planning, introducing participatory processes and organization of activity implementation plans immediately upon their arrival at the communities. Poverty reduction funds were directly allocated by NGOs for application in communities. These innovations brought forward new working practices and management skills to village committees. Village committees have learnt from NGOs improved methods to organize villagers for scientific planning and how to

realize transparency of project planning and implementation, which participants indicated has improved the working efficiency of village committees. What's more important, the public credibility of village committees has been enhanced.

28. In pilot villages a mutually complementary and interactive mode of work emerged between government and NGOs, which allowed the respective strengths and weaknesses of government departments and NGOs to be considered. On one side deliberate steps were taken to give full play to the strengths, while on the other to make up for weaknesses of the other. Government departments provided supports to the work of NGOs and supervised their performance, while NGOs were responsible for participatory planning, capacity building and activity implementation. It would be wrong to claim that there were no problems encountered in this process, but in the end negotiations were constructive and the solutions consensual. The controlling rights of local government (County Poverty Reduction Office and Township Governments) over funds were ceded to local village committees as NGOs took charge of the application of poverty reduction funds. More challenges to customary rights and procedures will be ongoing. Meanwhile, the contents and procedures of supervision of local governments over NGOs are yet to be improved and rationalized. From the perspective of NGOs, a series of interactive procedures, including how to report to government in the process of cooperation with the government are still in the stage of exploration, with issues remaining to be clarified. Some nervousness and mutual distrust will linger until these matters are locally resolved.

3. Government-Civil Society Mobilization and Collaboration in Pilot Villages has Increased Various Stakeholders' Satisfaction with Local Public Services

29. Mutual support and collaborative working relations between government officials and their civil society colleagues in pilot villages has improved community perceptions of government and levels of satisfaction among villagers, village committees and government officials. The third project supervision and appraisal report indicates that 13% of the villagers in the pilot villages were 'very satisfied' with the planning methods and process, and 41% were satisfied; 12% of the villagers were very satisfied with the outcome of the participatory planning process, and 54% were satisfied. 40% of the village committees in the pilot villages were very satisfied with the methods and processes of the implementation of the poverty reduction planning activities, and 40% were satisfied; 40% of village committee members were very satisfied with the outcomes of the implementation of the poverty reduction planning, and 60% were satisfied. Government officials also gave fairly high approval ratings in the evaluation of the methods, processes and outcome of the implementation of poverty reduction planning in the pilot villages. Data from the third supervision and appraisal of the project indicates that 18% of the government officials involved were very satisfied with the methods and process of the poverty reduction planning in the pilot villages, and 41% were satisfied; 12% were very satisfied with the outcome of the poverty reduction planning in the pilot villages, and 59% were satisfied. These levels of satisfaction from villagers, village officials and government staff are very encouraging and very much higher than in the control villages, where no NGO involvement took place.

4. Capabilities of NGOs Involved in the Pilot Have Improved, Although Some Gaps Remain

30. The working capacity of the NGOs involved in pilot projects was greatly improved in the course of their partnership with government in pilot villages. From the process of public bidding they learned operational concepts and working approaches that are standard in international projects, including how to engage their partners in solving technical issues, how to plan project contents, and how to carry out negotiations on implementation agreements with those to whom they will be accountable. Secondly, NGOs improved their service qualities and their public credibility with supervisors from government departments.

The supervision of County Poverty Reduction Office over NGOs is mainly concerned with formulating village level poverty reduction planning project, considering whether the project coordinates well with other projects in the same county as well as the feasibility of the project instead of intervention in the planning process. Coordination of NGOs (especially non-local NGOs) with government departments at county level was also improved, leading to improved resource mobilization and enthusiasm of villages to participate and more effective poverty reduction. In pilot villages, the strengths of NGO was displayed, their capacity of working at grassroots levels greatly improved, and complementary character of working relations between the government and NGOs shown to be of mutual benefit and valued by participating government officials.

31. Some challenges were also encountered in the course of activity implementation in pilot villages. Most of the bid winners were NGOs from outside Jiangxi Province. It took some time for these NGOs to become familiar with local social conventions and cultural customs, which meant that these NGOs had spend time to get adapted to the concepts and implementation of work at grassroots levels in Jiangxi. NGOs from outside Jiangxi also faced higher working costs (including traveling expenses and wages for the non-local NGO staff) in the pilot villages, which restricted the duration of stay of their staff in these villages and added another layer of complication in communication problems caused by local dialects and the tyranny of distance.

5. The Breadth and Depth of Villager Participation, Particularly by Women and the Poor, in Village-level Planning is Substantially Higher in Pilot Villages

32. Compared to control villages, villagers in the pilot villages, including women and poor people, had more opportunities to participate in planning meetings, to be interviewed by the planning staff and to participate in the selection of planning representatives, identification of poor people, analysis of the causes of poverty in their village, and in selecting poverty reduction projects. As a result of the high degree of participation, the popularity of poverty reduction planning activities was high and the village planning representatives were well known and regarded compared to their counterparts in control villages. Planning in the pilot villages was highly transparent and democratic.

33. The pilot villages were not only characterized by well received planning representatives but also publicized the outcome of the planning process by the following means to achieve transparency of planning: First, villagers' assemblies and group meetings were held to inform villagers through their representatives. Second, proposed project activities were written on red posters plastered on bulletin boards of village committees, or placed at public places in each sub-village or cluster of families. Third, several members of the village committee participated in the purchase of materials. For example, the committee elected by villagers would decide on how to implement, who to implement, with at least 3 persons responsible for the purchase of materials each time. Village poverty reduction plan implementation was delegated down to an elected village group in each pilot village, which facilitated the task of village leaders responsible for ensuring that the required input of funds or labor by beneficiary villagers was achieved. Through such process villagers were well informed about their role in implementation of the village poverty reduction plan.

6. NGO Participation has Improved Targeting of the Poor in Poverty Alleviation Planning and Strengthened their Voice in Decision-making

34. It is the mission of NGOs active in community development to be close to the people. The NGOs involved in TA 4580 displayed this mission in Jiangxi in their working attitude, their willingness and ability to integrate themselves into local communities, and their active listen skills in responding to the appeals of poor people and respecting them. The NGOs adopted participatory method to ensure that decision making would be inclusive of the poor

in poverty reduction planning and plan implementation.

35. According to the second supervision and appraisal of the project, the following approaches which were targeted at the poor people in pilot villages. First, poverty stricken households were given preferential treatment to enable them to participate in project management. Second, poverty reduction funds were allocated to assist poor households in investing in their production activities and supporting the schooling of their children. For example, assistance and supporting funds were established at Zhaishang Village of Xingguo County to offer support in production development. In Ningdu County, it was requested by the county Poverty Reduction Office that funds of all poverty stricken villages be used for supporting the schooling of children of poverty stricken households. Third, villagers were involved in the management and supervision of the implementation of the projects, and it was stipulated that representatives of poverty stricken households be included in the project supervision groups.

36. Despite progress made in responding to poor household needs in pilot villages, the third project supervision and appraisal report indicates that NGO targeting of poverty stricken villagers still faces challenges. PADO poverty targeting is mostly directed at villager groups with poor living conditions, difficult access to markets for work or sale of produce and problems with potable water and sanitation. As a result, quite a lot of pilot villages supported poverty stricken households by constructing potable water facilities in preference to the design of income earning projects. It was also difficult to guarantee the income of poverty stricken households by sending one of their children to receive education at a secondary technical school. Some poverty stricken households were unable to participate as the project provided tuition for only one year (excluding living expenses), while the schooling took three years. Projects that included a community revolving fund were found to allocate 95% of the fund to relatively well-to-do households that were judged as a better risk than local poverty stricken households.

7. Poverty Alleviation Funds in Pilot Villages have Arrived in a Timely Manner and Utilization Rates Have Risen

37. In the past, the concept of poverty alleviation at the village level referred to technical improvements in village life to the level of counterparts at county level. Poverty reduction funds are transferred in May each year to the accounts of county Poverty Reduction Offices, then on to township government by county financial departments, and then by township government to village committees. The transfer process from township to village committee is very inflexible, and can take a month or more, while the full amount is usually not transferred to allow for locally determined transaction costs. In contrast, funds transferred to villages by NGOs are speed and subject to no deductions for transaction costs. In implementing fund transfers to NGOs contracted to TA 4580, funds were transferred to the NGO by CFPA, and then on to villages according to the progress made in planning and plan implementation. NGOs attached great importance to their public credibility, which they did by ensuring that the total RMB 500,000 in poverty funds was expended as planned within the 18 month time-frame that applied to each pilot village. Reports on the flow of funds were to village committees and NGO staff in all 16 pilot villages. In phase 1, funds amounting to RMB 1.9547 million were allocated to 6 pilot villages with an average of RMB 325,800 per village, while a total amount of RMB 2.387 million was allocated to 10 pilot villages in phase 2 of the pilot. An important benefit for villagers (and implementing NGOs) in pilot villages was a more timely flow of poverty funds translating into project interventions. Compared to control villages, the distribution and application of funds in pilot villages was more transparent and open. The TA 4580 M&E assessors found that funds flowed into pilot villages to meet the needs of poor villagers and address perceived key causes of poverty. Moreover, it was found that poverty reduction funds were managed by participating NGOs with a high degree and efficiency.

8. Relationships between Village Committees and Villagers Have Improved in Pilot Villages, Promoting Public Trust in the Government

38. In the process of poverty reduction planning conducted by the NGOs in the pilot villages, the local villagers were involved in the design, implementation, supervision, appraisal and subsequent management of the entire process. This participatory working approach nurtured high levels of community engagement. The villagers, who previously showed passivity, were participating actively with the realization that the success or failure of the poverty reduction projects was dependent on how much they devote to it. In the process, the village committees attained their goal of serving the villagers through the working approach of the NGOs. The villagers also realized the inadequacy of the village committees in resources and working approaches, which worked to remove or at least lessen distrust, enhancing the credibility of the village committee in each pilot village. Of the 16 pilot villages, 13 or 81% reported an improved relationship between the village committee and villagers. Only 3 village committees reported no significant changes. The village committee of Zhaishang Village remarked that the villagers had deeper trust in the village committee, they were more active in village construction and personal development, showing more willingness to input labor. Before the arrival of the NGOs, villagers were not willing to work voluntarily during road rehabilitation. After the arrival of NGOs however, more than 100 laborers participated in the road rehabilitation under the direction of NGO. The village committee of Qiutian Village indicated that the participation of the NGOs helped to remove villagers' suspicion of the village committee. The Xinwu villager group had appealed to the village committee many times to build a water slope, but the village committee had to postpone action because villagers refused to contribute to the cost. With the help of the NGO, community confidence has improved and a lot of people have now donated money voluntarily to build the water slope.

9. NGO Participation in Poverty Alleviation Planning has Helped Transform the Role of Local Governments and Increase their Efficacy

39. In the poverty reduction planning processes of the past, local government was not only responsible for the specific management of poverty reduction at village level but also to offer support and conduct supervision. With the participation of NGOs in poverty reduction planning at village level, the working role of the local governments was re-positioned. Poverty reduction offices at county as well as township government and village committees can withdraw from specific operation of poverty reduction projects, and play the roles of supporters and supervisors during implementation of such projects by NGOs. Meanwhile, the poverty reduction offices at provincial and municipal levels as well as collaborating government departments can offer assistance during the planning and implementation process. Local governments are now able to adjust their working agenda and transform their functions by freeing themselves from trivialities and focusing on supervision and management.

40. In terms of the achievements of the pilot projects in Jiangxi, most NGOs remarked that their government partners have been very cooperative. One of the NGOs remarked that Mr. Zhang Zhihao, director of the provincial Poverty Reduction Office was very firm, and provided much help in supporting the project. Another NGO stated that the government had displayed full trust in NGOs and had practically never interfered with any of the planning and implementation processes of their partner NGO. All the poverty reduction offices of the pilot counties expressed their willingness to continue cooperation with NGOs.

41. The county and township governments provided support primarily in the following two ways: First, county or township governments contacted relevant departments providing technologies (for example, bureau of communications, bureau of water resources, water

management station etc) to propose reduction in design costs of the individual poverty reduction project proposals. For example, in Yuanpo Village of Niutian Township, the construction of the primary school was designed by the Bureau of Urban Construction and the road was designed by the Bureau of Communications. The costs of designing the projects were supposed to be fairly high. However, with the intervention of the local government, substantial costs were avoided or exempted, and only labor expenses had to be paid. Second, to coordinate the relationship between the NGOs and the villagers, (for example, during the construction of a sanitation facility in Jinzhu Village), some villagers did not want the toilets built in front of their houses for fear of unpleasant smells. An official of the township government residing in the village intervened, enabling the resumption and completion of the construction. In most cases, county or township governments are not involved in the issue of compensation for occupied land, which is left to be resolved by villagers. In our survey, only the government of Niutian Township was involved in meditating for the issue of land occupation. Of the 6 township governments, 5 hold that the prospects of cooperation with NGOs are promising. They believe that NGOs can bring along more external resources, transform the understanding and concepts of poverty reduction of villagers, village officials and township governments as well as relieve the activity administration burden that is now the responsibility of township governments. Only 1 township government indicated that the presence of NGOs at level villages is unnecessary.

42. Of the 16 pilot villages, 7 reported positive changes in the work of village committees. They are more inclined to solicit opinions from the villagers in their work. Four of the pilot villages confirmed that the financial affairs in their villages would be more open and transparent, and the contents of publicized village affairs would be more in detail. Two of the pilot villages remarked that the involvement of the NGOs added to the workload of the village committees as the village committees had to be engaged in huge amounts of reception work for the government and NGO staff. One village committee argued that the workload of the village committee was relieved as the project funds were allocated directly to the contractors without the involvement of the village committee.

43. NGO involvement in pilot villages improved efficiency in management and application of poverty reduction funds by reducing leakage of funds to corruption, funds diversion and corrupt rent-seeking by local officials. The role of local officials shifts to supervision and auditing, which tends to ensure that the full amount of poverty funds are spend on poverty reduction activities at village level in conformity with the will of villagers.

III. Policy Recommendations on Strengthening NGO-Government Partnership in Poverty Reduction in the PRC

44. Recommendations arising from TA 4580 are of two forms: those for immediate policy consideration and those for longer-term policy development to improve and strengthen the basis on which a vital program of NGO-Government partnerships in poverty reduction in the PRC can be advanced. . International experiences with NGO-Government partnerships have demonstrated great potential for community wide benefits from NGO-Government partnerships in education, health, community infrastructure investment and maintenance, transport, communications, agriculture development, environment protection and many other areas of pro-poor development.

45. In order to exploit the potential for improving efficiency and effectiveness of government spending, an increasing role for NGOs in a wide range of social and sustainable development in the PRC has to be facilitated by government at all levels. In doing so, reforms will be needed to current poverty reduction policies, regulations and procedures, especially with respect to the manner in which government funds are allocated and micro-policy environments defined for wide and active participation of NGOs in government funded

poverty reduction activities. These reforms cannot be implemented overnight: there is a need for studies and experimentation on approaches for engaging NGO participation in contributing to the development of harmonious society in the PRC.

46. The pilot projects supported under TA 4580 were designed in full knowledge of the political concerns in the PRC about expanding the role of NGOs in social and sustainable development. It was recognized that there are inadequate technical procedure to guide local officials in establishing frameworks and processes by which NGO participation can be authorized, monitored and assessed. The absence of operational models by which NGO-Government partnerships have been tested means that to build such partnerships requires prior consensus building and immediate attention to those aspects of the current planning and financial systems that will, over time demand institutional reform.

47. It is inevitable that NGOs will increase their role in development and other social and environment related fields in the PRC, in parallel with the tendency of government to downsize as economic development progresses. This trend is reinforced by the parallel tendency of international donors to reduce their financial support to PRC as growth in income per capita levels push the PRC beyond those common in the global ODA recipient community. These two factors will encourage locally based NGOs in the PRC to look for funding from the government and the community at large. From the government side, it is important for the PRC to develop an enabling policy environment in which NGO registration, regulation, management and funding of NGOs can be easily monitored for policy and taxation purposes, consistent with the achievement of a harmonious society. The mechanisms that will be used for these purposes are a major challenge for the PRC.

48. Closer relations with NGOs will be a critical element of government efforts to increase the efficiency and effectiveness of poverty reduction program spending. Positive evidence arising from TA 4580 justifies encouraging government at all levels to embrace the contribution that NGOs can make to poverty reduction spending by the public sector. TA 4580 demonstrates that it is possible to build a consensus within the current system to ensure that the institutional reforms needed, to integrate NGOs into the PRC's national poverty reduction program, is practical and a win-win for all concerned.

Recommendations for Viable Short-term Actions

3.1 Develop and Build Consensus Behind an NGO-Government Partnership Program for Inclusion as an Independent Program in the Government's Next Ten-Year Poverty Alleviation Plan

49. International NGOs have played an important role in poverty reduction and other related development fields in the PRC since the dawn of the PRC's re-entry into the international economy in 1978. Since then, there has also been rapid growth in the number of 'indigenous' PRC NGOs, a majority of which have worked in poverty reduction, child protection, food security, emergency relief and environment protection activities. However, funding for the activities of international and local NGOs has come not from local sources, but from international donors and foreign charities.

50. Policy statements arising from the *China Rural Poverty Alleviation and Development Outline (2001-2010)* have endorsed the role of international NGOs and welcomed the funding that local NGOs have been able to access. The NGOs like China Foundation for Poverty Reduction began to play the role in poverty reduction, but the Outline's provision for NGOs to participate in government-funded poverty projects had not been operationalized prior to the launch of this pilot under TA 4580. There are various reasons why this is so, but critical among these has been the absence of field experiences in a large scale showing

how NGOs can work with government as a partnership.

51. The pilot projects done under TA 4580 by the LGOP and ADB have explored operational models to improve the efficiency and effectiveness of government poverty reduction spending. The results have been unequivocal in showing that 'civil society working for government' is a practical and effective approach in the rural PRC, just as it had been in India's southern state of Kerala. In 1996, the Kerala government reformed its poverty program by transferring 40% of planning funds as untied grants to elected local organization, which then guided participatory local development planning, often tapping NGOs for their design & implementation expertise.⁵

52. The government of PRC, through the LGOP—the secretariat for the State Council Leading Group of Poverty Alleviation and Development, the PRC's peak body for rural poverty reduction planning—is now preparing to identify the goals it will pursue and the strategies it will employ in the next national ten-year poverty reduction program. It is an opportune and ideal time, therefore, for the LGOP to seek to institutionalize NGO-Government partnerships in poverty reduction by reaching a consensus among stakeholders, particularly the Ministry of Finance (MOF), National Development and Reform Commission (NDRC) and provincial LGOP/PADO line-agencies, on the commitments that government will need to make to implement this initiative. However, consensus will only come if these stakeholders are convinced that involving NGOs will improve the efficiency, targeting and impact on the incidence of poverty if government funds spend on PA. It is the LGOP's task to engage the stakeholders in policy dialogues on the role of NGOs in government funded PA. The outcome of these dialogues needs to be a political consensus on regulatory and procedural reforms to allow government PA funds to be spent by NGOs. These reforms must be seen as an important addition to the evolution of poverty reduction policy in the PRC.

53. The first step in this policy dialogue is for the LGOP to prepare a brief internal report on the key features and achievements of the TA 4580 pilot projects (i.e., project background, main findings on how funds were used, targeting efficiency and effectiveness based on villagers' evaluation, and policy implications). LGOP should distribute this report to members of the Leading Group of Poverty Alleviation and Development, particularly MOF and NDRC, to further engage them to prepare a joint proposal on how to facilitate NGOs' participation in the poverty reduction activities within the existing government designated poverty reduction program. The joint proposal should clearly address the ways in which NGO-Government partnerships will enhance the capacity of government-funded PA to reach the poor, and the ways in which NGOs' strengths complement government PA goals. Members of the former TA 4580 policy group stand ready to work with the ADB to assist the LGOP in the preparation and dissemination of these reports.

54. In addition to MOF and NDRC, it will be important for the LGOP to foster ownership of the NGO-Government partnerships strategy. To do this, the LGOP could hold field conferences in Jiangxi, gathering the leaders from the provincial office of poverty alleviation and development and the provincial department of finance. These field meetings could include a brief introduction by the China Foundation for Poverty Alleviation (CFPA) and a field visit to pilot villages to let the participants compare on the ground strengths and weakness of NGOs and government in village level poverty reduction. The field conference should focus on how the NGOs and government work together to manage the flow of funds efficiently and effectively, how the NGOs work with the village committees to do the village development plan and implementation, and how the NGOs develop a more accurate targeting mechanism.

55. NGOs have been operating in the PRC in a range of pro-poor development areas for

⁵ Chris. Spohr: PowerPoint presentation: Hands Pulling Together, ADB, Beijing, 2007

more than three decades. They have done so, however, primarily with the support of international donors and international NGOs. Many studies have been done of their experiences, especially at project level. In order to support the policy development processes and application of 'NGOs partnership with government model', this literature needs to be reviewed, summarized and the lessons learned extracted for the benefit of stakeholders in NGO-Government partnerships in the PRC. The Department of International Cooperation and Social Participation of LGOP is well placed to prepare a TOR for this study and entrust contracted research institutes or universities to undertake the research.

3.2 Establish an Operational Framework for NGO Participation in Government Poverty Projects

56. The existing poverty grant management system in the PRC is replete with administrative and procedural barriers to the allocation of government PA funds for use by NGOs. These barriers are embedded in the scope of each program 'type', such as promotion of agro-business, village development fund, and training fund. Those activities are funded under the guidance of the national development strategy as well as restricted fund allocation scheme, while others are linked to LGOP principles that govern the way in which LGOP interfaces with the national development plan through the consultation with key national planning stakeholders. Each PADO will bid for funds using a template developed by the LGOP. As long as the provincial plan submitted by PADO is agreed, MOF will allocate the fund marked item to the provincial department of finance. This is called "funds channeled parallel with the project". The parallel funds cannot be used for purposes other than those itemized. Within the plan individual projects or activities, for instance a village road construction, can then be implemented by the village committee, which is free to select and contract for the activity to be implemented, be this by a private company, NGO or individual farmer. However, under current procedures the village committee has to pre-finance the work and, after the project evaluation has supplied evidence that the work has been completed, endorsed with the signature from the village and township head, the bill can be reimbursed by the county financial department. Within this system, payment depends on the project or activity being earmarked as approved to be done by the implementing agency outside of the government. Thus therefore, sustainable participation of NGOs in the government poverty reduction program requires the creation of a modality by which NGO-government partnership in poverty reduction can be pre-programmed into existing institutional processes. Within the PRC's bureaucratic system, this level of reform requires radical institutional change, especially in grant management, and planning, but a provisional framework for financing NGOs participation within existing system can be approved for testing relatively quickly; certainly in time to be incorporated into the LGOP's next ten-year PA plan for the PRC. To this end, two options are possible:

57. **Option 1: Budget Reform to Create a Parallel Financing Facility.** Budget system reform towards an open financing mechanism for NGOs participation in public services will be a gradual and long term process. In the short term, it is feasible to develop a parallel financing facility by which NGO-Government partnerships in PA can be earmarked as an "independent project", parallel and complementary with existing PADO work within the existing program. Each independent project could be scoped in the fields in which the government often faces challenges or gaps that compromise PA spending efficiently and effectiveness in service delivery, such as in PA assistance to remote and mountainous poor village development, and the poverty reduction program during emergencies and natural disasters. The LGOP already has the institutional setting to implement such a program. The LGOP's International Cooperation and Social Participation Department, which manages cooperation with donors, businesses and NGOs, is well placed to implement such a program. The department should prepare a scoping document to this end, covering the processes that need to be put in place and policy guidelines to be followed. The department should consult with the Financial Department of the LGOP to prepare a budgetary plan and identify

administrative arrangements for an NGO partnership program. TA 4580 showed that NGOs' management costs can be accommodated within budget lines for technical assistance, which is a practice that is already extant in the current poverty reduction grant budget procedures, subject only to agreement from MOF. In order to strengthen MOF involvement in policy dialogue, it is suggested that the International Cooperation and Social Participation Department of the LGOP should initiate discussions with the Planning and Financing Department of the LGOP to develop an operational proposal for discussion with the Agricultural Department of the MOF.

58 The processes involved in running a parallel facility can largely be taken from processes successfully demonstrated to be effective under TA 4580's pilot test. However, one set of procedures concerning NGO selection and accreditation for involvement in NGO-government partnerships will require further and significant institutional innovation. There is a need for the government and NGOs to agree on mechanisms by which NGOs capable of successfully partnering with government in poverty reduction projects can be identified, performance monitored and assessed. To establish such a mechanism, LGOP will need to access an independent NGO accreditation process. International experience and lessons learned under TA 4580 clearly demonstrate that the accreditations process has to be procedurally independent, including implementation by an expert panel. As with TA 4580's pilot, the accreditation panel should include experts drawn from inside and outside the government. It is in LGOP's interest to develop poverty reduction-specific process for NGOs accreditation to ensure that the skills and professional experience unique to poverty reduction work are incorporated. Templates for such procedures are available in many countries and can be readily adapted to the PRC context. Accreditation also sets out what is expected of NGOs if they are to partner with government in pro-poor development. Typically these expectations require NGOs to demonstrate that (i) they are genuinely participatory and able to be a voice for the poor and vulnerable; (ii) their modes of operation are transparent and well documented; (iii) they are accountable for outcomes, as measured against key performance indicators; and (iv) they are gender-aware and environmentally responsible. However, in order for NGO accreditation to be effective, it must also attend to the means by which the work of NGOs is monitored and their performance reported. As a result, the NGO accreditation panel will need to take on board the lessons of international experience, which shows the importance of ensuring that templates for contracts are clear and achievable, with realistic benchmarks drawn from public sector performance measures.

59. Based on the fund allocation model to those NGOs affiliated with the government such as China Red Cross, China Charity Federation, etc., the earmarked item within the current budget system should be opened. The account should be also opened in LGOP/PADOs' budget system in order to undertake related oversight work.

60. **Option 2: Use Commercial Contracts to Partner with NGOs.** Although option one is feasible, under current PRC systems and practices, it will take time to develop earmarked NGOs project within the PA system. Option two is to utilize the business contract model that is already widely used in the PRC, even within the existing LGOP/PADO program. Option two can be seen as a temporary step to gain more experiences, while the procedural hurdles of option one are managed. This option follows the common practice exercised across the PRC in a wide range of government programs to purchase services and materials not produced or accessible from within the public sector. Almost all poverty and rural development projects across the PRC use this option to engage local firms or communities for specific purposes, typically local infrastructure building or maintenance. For instance, village level construction works are commonly contracted to private business companies or individual farmers within the poverty reduction program. Some business focused projects, such as agro-business or processing projects are also commonly contracted within rural development programs, managed by NDRC or Ministry of Agriculture.

61. The main reasons why NGOs haven't been formally involved in PA work funded by government under similar arrangements include the fact that first, the number of the NGOs at local level is limited (and not well known), second, those NGOs which are undertaking poverty-related activities are usually funded by international donors and charities. With decreasing financial contributions to PRC from international donors, more and more indigenous NGOs will gravitate to funding from government sources. In order to be fully prepared to meet this trend, it is suggested that the LGOP should develop explicit policy guidelines regarding the participation of business groups and NGOs in poverty reduction work. Given the different natures of business entities and NGOs, the guidelines should clearly encourage the LGOP local line agencies down to the county level, to open its projects as much as possible to allow all kind of local non-profit or farmer's cooperatives or NGOs to be contracted to take part in project implementation. As long as the LGOP can provide local government agencies with clear policy principles and guidelines for the contracting out of work to be done using PA funds, local government can usually follow these and, as is evident in international experience as well, even show skill in how these principles and guidelines are applied in practice. Along with this policy guideline development, the LGOP has still the space to initiate a pilot of such a contract model without asking any revision of the existing regulation and financing framework. It is suggested that the LGOP choose the certain fields of the work such as post disaster poor village development and reconstruction through open tendering process. It can follow the procedure and process that TA 4580 has provided via its piloting in Jiangxi province. It could be done as the model that the LGOP can entrust the package to its affiliated NGOs for example CFPA and others, then they can open the bid to call for the participation of other NGOs. For this model, some of the Government affiliated NGOs, such as China Charity General, have already started. .

Long Term Recommendations

63. It is envisaged that the NGOs will increase their role in development and other social fields in PRC, in parallel with the tendency of government to downsize as economic development progresses. This trend is reinforced by the tendency of international donors to reduce their financial support to PRC as growth in income per capita levels push the PRC beyond those common in the global ODA recipient community. These two factors will encourage locally based NGOs in the PRC to look for funding from the government and the community at large. It is important for the PRC to consider the reform for nurturing an enabling policy environment for NGOs role in consistent with the achievement of a harmonious society. Those should cover the registration, regulation, management, funding of NGOs and the way in which funding and taxation of NGOs can be monitored and supervised. There appears still to be many challenges to achieve this.

3.3 Develop a Policy Framework for Opening up Public Financing to NGOs

64. Open and legal access to public funding for NGOs is the most critical issue that needs to be addressed if NGOs are to effectively participate in designated government pro-poor development programs. The first step towards a resolution of this problem is the need to build a consensus among key stakeholders such as MOF, on the positive role that NGOs can play. However, a consensus will depend on the ability to build political and technical confidence in NGOs and their ability to comply with the documentation and procedural requirements of the public financial budgeting system in the PRC. The experiences and performance of the NGOs involved in TA 4580 is an important source of evidence on which confidence and trust can be built.

65. TA 4580 is an important source of data for exploring the means by which an enabling environment for public funding of NGO partnerships with government can be undertaken. It is to suggest that MOF can undertake a study to summarize the experiences gained in the field of government and non-government partnership. This study would be all the more effective if MOF could contrast the experiences of the pilot projects done under TA 4580 with similar experiences documented in related studies undertaken by the research institutes and international donors. Only if MOF makes the issue of NGO-Government partnerships a core part of its agenda will the issue of funding reform receive serious attention. Although international donors such as the ADB and the EU have started worked with MOC and also extended this cooperation with some departments of MOF,, serious consideration should be given to providing Agricultural Department of MOF with technical assistance to do its own research. Based on the recommendation of the policy study and the recommendations from other projects, such as TA 4580, the modality of accessing fund should be developed , it could be the type of NGO trust fund which enables the government to entrust NGO to deliver the services. It is suggested to start such reform from the poverty reduction grant budgeting.

3.4 Reform Regulations on NGO Bank Accounts to Enhance NGOs' Ability to Effectively Participate in Publicly Funded Activities.

66. The government of PRC has strict requirements on bank account management by legal entities such as NGOs. For example, NGOs are not allowed to set up their own business bank account, which means that under existing arrangements government funding can not be transferred to NGOs, even if the government entity involved agrees to fund the involvement of the NGO. This restriction leads to a separation between fund management and application of these funds in ways that is detrimental to flexibility and optimal funds management. As the primary PRC regulator of NGO registration and permitting, the MOCA has to take this issue seriously. MOCA, in concert with MOF, has to implement regulatory reforms that will allow NGOs to open accounts at bank branches in the area where they will work as part of their partnership with government. If necessary the enabling permits could be temporary and tied to the term of engagement with the government entity to which the NGO is partnered or contracted. Details of this sort must be resolved in consultation with MOF and the People's Bank of China. Alternatively, MOCA should allow the NGOs to set up its branch or representative office in the areas where the NGOs work, in this way, the branch or representative office can open the organization bank account. It again needs MOCA to consider legal registration reform that does not restrict the legal status with geographic location.

3.5 Simplify NGO Administration and Regulation

67. The PRC's current administration system for the regulation of NGOs might be classified as "preventive". To be recognized as legal, an NGO must seek so-called "dual registration"—first finding a sponsor agency (*zhuguan danwei*) in an affiliated sector, and then filing with a registration agency. In addition to entailing two levels of accountability, this places tight restrictions on competition among NGOs, since the system restricts registration and supervision vertically (across multiple tiers of government) and horizontally (across localities). NGOs need to dually register and be supervised by government agencies specifically in the locality in which they propose to operate: this system emphasizes the restriction that NGOs cannot operate beyond their sponsor and registration agencies' administrative boundary. Given the grassroot and flexible nature of NGOs in areas like social development and equity promotion, as well as the fact that an NGO's existence is typically justified by its complementary role with government in social management, it is clear that the dual registration and regulation administration systems in the PRC are not an optimal basis for government administration over NGOs. The double management and multi-level administration system will become a serious constraint for the development and

proper functioning of NGOs in the PRC.

68. To promote NGO-government partnerships toward common goals, relevant PRC government agencies should thus assess options for reforming NGO administration. Within such reforms, a potential first step would be to reform the current restriction that non-local NGOs (i.e., NGOs working in areas outside where the locality in which they are registered) are not allowed to register bank accounts with local banks. This restriction should be revoked, consistent with provisions in the Regulations pertaining to the Management of Foundations, issued in 2004, in which it is stated that non-official foundations should all register and be managed by agencies under the Ministry of Civil Affairs.

PRINCIPAL REFERENCES

The TA policy consultant group's Policy Report drew on inputs to and discussions at the TA's Final Policy Forum on 22 October 2008, as well as inputs from by the firm-based consultants mobilized under the TA from Australia-based International Development Support Services (IDSS) in association with the China Agricultural University Center of International Agricultural Development (CIAD), School of Humanity and Development. Findings of IDSS-CIAD monitoring and evaluation are summarized in the below and available online or from the ADB Resident Mission in the PRC:

IDSS-CIAD. September 2008. Evaluation of Processes and Impacts of Ngo-Government Partnerships in Village-level Poverty Programs—Summary Report of TA 4580 Jiangxi Pilot. Beijing.

Discussion of international experiences draws on work under ADB collaboration with the PRC Ministry of Civil Affairs NGO Administration Bureau, including draft reports prepared by Jia Xijin, Su Meng, Han Junkui, Sun Jie, and Steve Commins (awaiting finalization and printing).

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