

The Role, Challenges, and Countermeasures of NGO Participation in the Third Distribution

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Abstract: In the context of accelerated social transformation in China, the consensus on solving social problems through the participation of NGOs in the third distribution has become increasingly clear. Therefore, it is necessary to analyze the challenges faced by NGOs when participating in the third allocation from a practical perspective, and summarize a set of practical ideas and countermeasures. This has important practical significance for further solving the issue of social equality and alleviating the gap between rich and poor. Based on the existing 12 papers on NGO and third distribution, this paper analyzes the theoretical role of NGO participation in third distribution, which can be divided into two elements: alleviating the shortage of public goods and low cost and high efficiency. From a practical perspective, examine the current situation of NGOs in the third distribution from the perspective of the "two major factors" mentioned above. It is found that there are still three major problems: the inefficiency caused by "voluntary failure", the imperfection of the charitable tax system, and the constraints of the dual management system. How to solve the above-mentioned "three major issues" has become the key to the efficient participation of NGOs in the third distribution.

Keywords: China, NGO, third distribution

1. Introduction

1.1. Research Background

In 2019, the Fourth Plenary Session of the 19th CPC Central Committee made philanthropy an important content for the first time, and called for vigorous development nationwide, giving full play to the role of the third allocation of philanthropy. In 2021, Chinese leader Jinping Xi proposed: to reasonably solve the problems of efficiency and fairness and build a basic institutional arrangement that coordinates between primary distribution, redistribution, and third distribution. This indicates that there has been a high degree of connection between third income and philanthropy.

1.2. Concept Definition

1.2.1. The Third Distribution

Introducing the concepts of first allocation and second allocation is more conducive to understanding the third allocation (see Table 1). First proposed by Chinese economist Yining Li in the 1990s. He

refers to the initial distribution of income from the input of production factors into the market. The essence of the first distribution is efficiency-oriented value exchange. The second distribution is a redistribution carried out by the government through taxation, social security expenditure, etc. in accordance with the principle of fairness. Its essence is to pay attention to the principle of fairness and maintain social stability. However, due to a certain degree of failure by the market and government, which dominated the previous two distributions, the third distribution was born. The third distribution refers to a redistribution mechanism of social wealth that is unrelated to the market and government, has a certain degree of independence, has a certain sense of social responsibility, and can independently use a portion of its disposable income for social assistance, charity, and public welfare undertakings. Its essence is the symbiosis and coexistence led by principles [1].

Table 1: Comparison of three distributions.

Assignment Type	Leading mechanism	Distribution principle	Essential purpose
First distribution	Market mechanism	Efficiency principle	Value exchange
Second distribution	Government mechanism	Equitable principle	Maintain stability
Third distribution	Social mechanism	Demand principle	Symbiotic coexistence

1.2.2. NGO

Full name of non-governmental organization. NGO is a social organization that is independent of the government and profit-making departments. It does not aim to make profits, but focuses on volunteers, providing public goods or services free of charge to the public. It has the characteristics of organization, folk, non-profit, autonomy, and voluntariness. That is, a social organization that has a certain system and structure, is separated from the national government system, does not take profit as its goal, adheres to the spirit of volunteers, and carries out autonomous volunteer activities.

The term "NGO" is also referred to abroad as a non-profit organization, non-governmental organization, third sector, charitable organization, public welfare organization, etc. due to the discipline involved and the reasons for its translation. In the following, there will be cases where the pronouns for NGOs in some references are different, but the content is appropriate. Since citing these materials will not lead to ambiguity in the article, the above pronouns will be considered "NGOs" and used equivalently in this article.

1.3. Research Question

In China, during the third distribution process, NGOs are the link between donors and recipients, and also the executive subject of the third distribution. They bear increasingly important responsibilities in the third distribution. The purpose of this article is to study the role of non-governmental organizations (NGOs) in participating in the third distribution process as executing entities; Challenges encountered; At the same time, how to face challenges, provide social public goods and services with maximum efficiency, make up for the shortcomings of market regulation and government regulation, and promote the smooth progress of the third distribution.

1.4. Research Value

Because there has not been a systematic study on the issue of NGO participation in the third allocation in the academic community, the conclusion proposed in this article that NGOs participate in the third allocation is a relatively systematic and complete conclusion in the current research field, which has certain theoretical value.

On the practical level, this article analyzes the problems existing in the participation of NGOs in the "third distribution" and summarizes a set of practical ideas and countermeasures. This has very important practical significance for further solving the issue of social equality and alleviating various social conflicts caused by the huge differences between the rich and the poor.

1.5. Literature Review

In recent years, there have been more and more articles on social organizations such as NGOs and the third distribution issue. This article selects some representative articles and reviews them. Guangzhao Bai first analyzed the era background of the emergence of the third distribution, and gave a detailed explanation of the concept, role, NGOs, and other operating entities of the third distribution [2]. Ming Wang and other scholars have sorted out their previous studies, and on this basis, they have sorted out three consensus points. The development and field expansion in practice are summarized [3]. Guosheng Deng analyzed the connotation, characteristics, function, value, and relationship with charity of the third distribution [4]. From a normative perspective, Xin Lu has established a more standardized mechanism for NGOs to participate in the third distribution of charity [5].

2. The Role NGOs Can Play in the Third Distribution

2.1. Relying on NGOs for the Third Distribution Can Alleviate the Shortage of Public Goods and Meet New Social Needs

The government is the main provider of public goods. However, there are also failures in government decision-making. Social reforms in democratic governments tend to be "median oriented," which represents the rights and interests of the majority, but cannot truly address the needs of the most vulnerable and especially the minority [6]. As a result, a large number of gaps have emerged in the official affairs of the country, such as the protection of women, children, the disabled, and the extremely poor, as well as the issues that are of greatest concern to their rights and interests. And even if the government can provide services, there are also issues of efficiency and cost. At the same time, it is difficult for the government to avoid the huge bureaucratic system when providing public goods. Waste, inefficiency, and corruption accompany the entire process. Due to the non-competitive and non-exclusive nature of public goods, consumers are reluctant to pay prices, but rather want to become "hitchhikers.". This means that it is difficult for the market to use market mechanisms to allocate public goods. In the case of government failure and market failure, social organizations are required to intervene. These social organizations provide public goods in a voluntary manner, and their work efficiency is higher than that of the government, and their work costs are also lower than that of the government. They are NGOs. The voluntary spirit of NGOs is a spirit of volunteering to participate in social work and promote social progress without compensation. Volunteers take promoting social development as their responsibility. Its value is manifested as consciously paying attention to others and actively assuming their own responsibilities; The advantage of NGOs is that these groups are the most active and effective in finding and filling gaps in society. Currently, in China, in addition to the well-known government agencies, there are also non-governmental organizations with the purpose of "voluntariness based". Since the 1980s, with the transformation of national governance structures worldwide, the third sector has played an increasingly important role in the supply of public goods. Almost every country has a huge tertiary industry behind it, equivalent to 4.6% of its GDP [7]. The practice of many countries in the world has proven that in a socialist market economy, relying solely on the government cannot provide sufficient protection for the people and society; It is necessary to rely on social forces such as NGOs to fill the gaps in the supply of public goods by government organizations and market institutions.

2.2. The Third Distribution Led by NGOs Has Low Operating Costs and High Efficiency

The third distribution, with NGOs as the functional carrier, has lower operating costs and higher service quality and efficiency than the government. The behavior of non-governmental organizations is based on their own voluntary behavior. Therefore, when helping the poor in society, they demonstrate selfless and fearless dedication and humanistic care. Members and advocates of NGOs usually have a strong sense of dedication to what they do, and they also have a strong sense of identity with what they do. Their consciousness and sense of mission will enable NGO members to persevere in what they do, and they will be responsible for what they do. This can not only improve the service quality of NGOs, but also reduce their operating expenses, it has advantages over government departments in solving some problems [6]. NGOs rely on the enthusiasm and responsibility of their members. Compared to national institutions, their administrative costs and wages are much lower. This allows them to operate at less cost. The members of NGOs, with their own values such as "altruism" and "humanity", strive to provide assistance for important issues that have been ignored by mainstream social institutions. The "justice" of NGOs makes them more active in helping disadvantaged groups, demonstrating humanistic care, and thus being able to play a strong role in moral influence and psychological assistance. In a sense, it compensates for the indifference and neglect of disadvantaged groups caused by its "economic man" characteristics. In addition, NGOs mainly gain their rights and space through communication, collaboration, persuasion, reciprocity, and cooperation, or by providing better services to NGOs, so NGOs have a certain degree of autonomy; The sources of funds it receives include not only funds provided by domestic governments, but also various channels such as donations from foreign governments, international organizations, enterprises, and individuals in society. The methods of obtaining funds also exhibit a diversified characteristic. It is also because NGOs, as a means of obtaining resources, are not controlled by a specific interest group, so they are more able to independently implement their own plans, maintain their own value orientation and development direction, and truly reflect the voice and rights of the weak in society.

3. Challenges

3.1. Inefficiencies Due to Voluntary Failure

The theory of voluntary failure refers to the phenomenon that individual or collective voluntary NGOs encounter various problems during the operation of their voluntary activities, making voluntary activities unable to proceed normally. It was proposed by Lester Salamon, an expert on non-profit organizations in the United States. In this theory, Salamon pointed out several major shortcomings of NGOs, which limit the effective operation of third distribution [8]. This article will use the three major defects to demonstrate the inefficiency of NGOs in the third distribution caused by voluntary failure.

3.1.1. Charity Deficiency

The funding source of NGOs in the third distribution lacks stability. Different from the "compulsion" of the government and the "mutual benefit" of profit-making organizations, the financing of NGOs is "voluntary" and "public welfare". This creates uncertainty about funding sources and vulnerability to the political and economic environment. Generally, the sources of funds for NGOs to participate in the "third distribution" mainly include: social donations, government funding, and fees. Salamon and others from Johns Hopkins in the United States conducted an investigation in 1995, which included 22 NGOs from developing and developed countries, but none of these NGOs were funded mainly by social donations. Among them, donations from the public accounted for only about 11%, while funds

from the state reached 40% [9]. Obviously, social donations generally only take up a very small part of the share; fees are a highly sensitive topic, and excessive fees are contrary to the original intention of NGOs, which is easy to cause dissatisfaction from all walks of life. So far, NGOs still mainly rely on the funds provided by the state.

3.1.2. Inaccurate Positioning

NGOs often have a paternalistic style. Individuals who control financial funds often ignore the real needs of the assisted when using and deploying these funds. The problem of inefficient use of funds may appear, which will arouse the resentment of the public and reduce the social credit of NGOs.

3.1.3. Potential Risks of "Excessive Marketization"

The marketization of the third distribution means that the participants of the third distribution (non-governmental organizations) learn from the business operation model. Make the organizational structure, competition mechanism, financial management, and project operation of non-governmental organizations more systematic, standardized, professional, and standardized. So that NGOs can operate more effectively and play a better role in the third distribution [10]. The fundraising, program design, and project implementation of NGO projects are the concrete manifestation of the organic combination of NGO volunteer spirit and market means [9]. NGOs' fundraising, program design, and project implementation are all concrete manifestations of the combination of NGOs' volunteer spirit and market means. However, the nature of the market is always selfish. Therefore, when studying the third distribution in China, NGOs need to attach great importance to the issue of "excessive marketization" in the third distribution system. The nature of the third distribution is disinterested. Therefore, the excessively market-oriented third distribution will lead to the marketization of public welfare undertakings. When NGOs lose the initiative and control in the cooperation with the market, the third distribution dominated by the social charity may become a field of selfishness, leading to non-governmental organizations and other social forces losing their leading position in the third distribution.

3.2. NGO Tax Incentive System Is Not Perfect

Tax breaks for NGOs are still sparse. The tax deduction for "non-operating income" is limited to the deduction for monetary property such as donations and government grants [11]. The gift of non-monetary assets such as real estate and land use rights still cannot fully enjoy the tax-free treatment. In addition, in the data on non-monetary donations, service-type donations and labor-type donations have not been included. The service donation is mainly by the company, while the labor service donation is mainly by the individual. Since donations in terms of services and labor are often difficult to quantify, and there is no general evaluation method, their evaluation is very complicated. This is also an important factor that they are not included in public charity statistics. The income from service donations and labor service donations is not included in the statistics, leading to the problem of donation discrimination in practice, that is, the prejudice that monetary donations are superior to service donations and labor service donations. This also has a certain impact on charitable donations. In addition, since service donations and labor donations are not a kind of income or expense, there are certain errors in the calculation of NGO financial and actual financing levels, which will have a negative impact on the declaration of NGO tax policies.

For "operating income", the tax relief policy is limited to monetary property income such as interest and dividends [12]. Although in accordance with the provisions of China's charity legislation, NGOs can carry out profit-making investment activities to realize property appreciation (both principal and income will serve public welfare undertakings and the third distribution) on the basis

of compliance with legality and security. However, NGOs are also subject to relatively strict restrictions. Even if it invests its profits and funds in the field of charity, it cannot enjoy the tax deduction policy. Correspondingly, the relevant tax policy regulations are also relatively vague. The current law has restrictive and general requirements on the behavior of NGOs engaged in profitable investment and the tax policies they enjoy, which makes NGOs very cautious when making related investments such as value preservation and value addition. However, no matter what the purpose is, if there are too few tax breaks for NGOs, it will seriously hinder the development of NGO public welfare undertakings [9].

3.3. Dual Management Restrictions, Unfavorable Legal and Policy Environment

As social organizations serving public welfare, NGOs need to be established under the protection and constraints of the law, enjoy corresponding preferential policies within the scope of the law, and accept the supervision of relevant government departments. China implements a dual management system for non-governmental organizations. The dual management system is that the registration authority and the operation authority are respectively responsible for supervising and managing the NGOs. It strictly controls the legitimacy of NGOs through registration records. The focus of this management system is to limit the development of NGOs through double registration thresholds and at the same time disperse responsibilities. On the one hand, the strict registration threshold restricts the qualifications of NGOs to obtain legal status, thereby restricting their activities and development; On the other hand, decentralization is achieved through the dual jurisdiction of different government departments to disperse the potential political influence in the activities of NGOs [13]. The registration management agencies of civil administration systems at all levels have been given more responsibilities to better supervise and manage civil organizations. According to relevant laws, the responsibilities of these institutions are delegated by the local government. But at the same time, these laws also clearly point out that the administrative functional departments related to civil organizations must abide by relevant regulations to ensure fair, just, and effective operation. Under the dual management system, at the same administrative level, there are two competent departments, namely the unified registration office and the competent departments of various departments. Although between the two different types of management departments, business communication and coordination in law and practice are always going on. However, since the two belong to different government functional departments, it is difficult to completely unify the administrative functions they master and the interests of the administrative subjects they represent. In addition, the institutional settings and staffing of various industries are different. This has resulted in an embarrassing situation, there is a big difference between them in administrative implementation and policy implementation. When the two parties in the management department cannot reach a consensus on policy and administration, the legalization process of NGOs will fall into a vortex of inefficiency.

Whether it is the registration authority or the business authority, reviewing and approving the registration application is the core work related to the overall situation, and the approver needs to bear the responsibility for the political risks brought about by NGO activities [13]. The dual management system has actually been reduced to a system of decentralization and accountability. Whether it is a registered supervisor or a business supervisor, how to reduce political risks and avoid responsibilities is the primary purpose. The development of non-governmental organizations is second. Because the relevant law only stipulates the scope of the business supervisor and does not stipulate the duties of the business supervisor. Therefore, for NGOs, the ratio of the benefits they bring to the competent authorities and the political risks has become the primary condition for whether they can impress the competent authorities. This may lead to the breeding of corruption, that is, to pave the way for the legalization of NGOs through money and power trading. As for the approval of the business authorities, in addition to considering the degree of matching with its business scope, it

is also necessary to consider whether the NGO can be placed within its effective control range. It is necessary to consider whether the development of NGOs will lead to unacceptable political risks and responsibilities and whether the development of NGOs can increase the interests of the departments in which the business department heads are located [14]. For this reason, the administrative intervention of civil organizations by business authorities is inevitable.

The dual management system has brought many challenges to the legitimation of NGOs through dual responsibilities and dual audit systems. As a result, an increasing number of NGOs have chosen the form of business registration. There are also some NGOs that choose to take advantage of legal loopholes and obtain various legal identities. A large number of NGOs have emerged, bypassing the current law, which has greatly reduced the effectiveness of the current law. Not only is it impossible to effectively restrain and supervise various forms of NGOs, but it also reduces the majesty that the law should have.

Therefore, the current legal and policy environment formed on the basis of the above-mentioned dual management system is generally not conducive to the development of China's NGOs. The excessively strict registration and review procedure, while restricting the legalization of NGOs, has neglected cultivation, development and supervision, and management. On the one hand, a large number of NGOs are difficult to obtain legal status; on the other hand, there is no necessary policy support and guidance for the legalized NGOs, and the restriction and supervision of their behavior are extremely limited [13].

4. Suggestions

4.1. Cooperation of Subject: "Cooperation between Government and NGOs"

Acknowledging the voluntary failure of NGOs does not mean denying the necessity of their existence. In order to make NGOs play a better role in the third distribution, it is necessary to construct a new third distribution mechanism with government leadership and social participation. The government entrusts the task of providing public services or public goods to NGOs, forming a state of cooperation between the government and society [9]. Divide responsibilities based on advantages. The government provides project funding, and NGOs are responsible for providing services. The government has achieved the goal of reducing operating costs through the decentralization of some functions. This cooperation between government and social organizations can avoid the huge bureaucratic system and reduce the potential for corruption in transmission at all levels. If certain public goods are jointly provided by social organizations such as the government and NGOs, and a benign and equal competitive relationship is established between the two. To a certain extent, it can improve the production efficiency of public goods.

4.2. Further Optimize Tax Incentives for Charitable Donations

First, expand tax relief for public welfare undertakings. Currently, in response to the current problem that the scope of tax incentives for charitable organizations is too narrow, we should actively expand them from the following two aspects: on the one hand, expand the scope of tax relief for non-operating income. The government not only needs to further improve the tax incentives for monetary property donations, but more importantly, it needs to improve the gaps in tax incentives for non-monetary property donations such as real estate, land (use rights), and intellectual property rights.

The second is to expand the tax reduction range of business income. Tax incentives for profitable investment in public welfare undertakings can be further refined. It is necessary to fully recognize the characteristics of public welfare institutions and implement a dual standard for their profitable investment behavior, adopting different tax preferential standards based on different types of profitable investment activities. And formulate appropriate tax preferential standards based on its

business mode and profit amount [12]. This has subjectively increased the willingness of NGOs to obtain "non-profit organization tax reduction eligibility", and objectively expanded their access to the charitable property.

4.3. From Administrative Control to Behavioral Control Based on Management by Objectives

Changing the original and passive management system; On the premise of recognizing the importance and irreplaceable position of NGOs in the third distribution, a new type of behavior control mechanism for non-governmental organizations should be gradually established. Behavior control refers to monitoring various activities of NGOs through effective evaluation and control, and effectively controlling the action process and results of NGOs [13]. The administrative control implemented by the government, while taking into account risks and benefits, will stifle the positive advantages of NGOs. Therefore, the government needs to construct a new type of behavior control based on management by objectives. Unlike traditional management by objectives, this new type of management by objectives gives more autonomy to NGOs, including the design, financing, and implementation of projects. Let NGOs avoid the huge bureaucratic system when carrying out activities and give better play to their positive advantages. In terms of control, the project results of non-governmental organizations are used as evaluation criteria to determine whether non-governmental organizations are eligible for legalization. However, it should be noted that some NGOs' activities in the third distribution do not immediately see benefits, and they usually have a long-term nature. For example, technical support for agriculture, improvement of the ecological environment, and educational assistance for remote areas. These are long-term projects, and it is difficult to evaluate the effectiveness of the project from short-term results, so it is necessary to evaluate the effectiveness of the project from a long-term perspective. Under this new system, it is necessary to cultivate and cultivate a group of non-governmental organizations that can actively participate in public services and management in a planned and focused manner, strengthen their evaluation and supervision, and enable them to play an active role in the third distribution.

5. Conclusion

To sum up, it is necessary to attach importance to the third distribution function of NGOs in China's current economic system. A detailed analysis of the operational mechanism of NGO participation in the third distribution can reveal that the role of NGO participation in the third distribution can be theoretically deconstructed into two elements: alleviating the shortage of public goods and low cost and high efficiency.

From a practical perspective, examine the current situation of NGOs in the third distribution from the perspective of the "two major factors" mentioned above. There are still three major problems: the inefficiency caused by "voluntary failure", the imperfection of the charitable tax system, and the constraints of the dual management system. In addition, because these "three major issues" are interrelated and constrained. Therefore, how to solve the above-mentioned "three major issues" has become the key to the efficient participation of NGOs in the third distribution.

In view of this, this article further proposes specific countermeasures to solve the "three major problems". Specifically, first, through the cooperation between the government and the main bodies of NGOs, a cooperative model of government delegated tasks and NGOs providing services is formed to better play the role of the third distribution main body of NGOs; Secondly, actively expand tax incentives for charitable organizations through further improvement of the NGO charitable tax system; Thirdly, through the transformation from administrative control to behavioral control based on management by objectives, NGOs can better play their enthusiasm and further better play their

function of ensuring the third distribution. Through the improvement of the above three levels, the third distribution function of NGOs will be effectively brought into play.

On the research prospect of the third distribution, based on the analysis of the third distribution problem, it is found that its field has increasingly become a multi agent collaboration platform. In the process of collaboration, social actors will consciously respond and adjust to their own behavior, which leads to a great deal of flexibility in overall collaboration. Future research on NGO participation in the third distribution needs to start with different economic branches such as behavioral economics, welfare economics, and human capital economics, and provide technical support in combination with disciplines such as psychology and histology.

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