

Charity from Fidelity:

The Dual Effects of Party Embedding on Chinese Philanthropy

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Abstract

This study investigates how political embeddedness, which formalized by the Chinese Communist Party's (CCP) "Two Coverages" policy, shapes the financial resource allocation, public welfare provision, and operational autonomy of charitable organizations in contemporary China. Under one-party rule, the CCP has extended deep institutional embeddedness to the nonprofit sector by requiring the establishment of Party branches and systematic Party-building activities to align organizational decision-making with political priorities. While existing literature debates whether political integration enhances capacity or undermines autonomy, few studies systematically disentangle the separate effects of different dimensions of Party embeddedness on charitable operations. This paper distinguishes between two core dimensions: structural leadership embeddedness (whether the charity's Party branch secretary concurrently serves as board chairman or director) and proactive Party-building (monetary spending on routine Party activities). Using a unique panel dataset from the Ministry of Civil Affairs covering over 1,000 organization-year observations of 199 registered charities across six fiscal years spanning the post-policy periods, this research employs rigorous empirical strategies to estimate the effects of these two forms of embeddedness on two key outcomes: the scale of charitable program spending and the allocation of government subsidies. A two-way fixed effects (TWFE) framework is used to estimate the within-foundation association between Party leadership embeddedness and philanthropic expenditure, while an instrumen-

tal variables (IV) approach with staff size as an exogenous instrument addresses endogeneity to estimate the effect of Party-building spending on government funding. This research advances the literature on authoritarian governance by providing novel empirical evidence on the dual effects of Party-state integration: it clarifies how political embeddedness simultaneously shapes resource acquisition and public welfare delivery, offering a nuanced understanding of state-society relations and public goods provision in the third sector under one-party rule.

1 Introduction and Research Puzzle

Under China's single-party institutional framework, the Chinese Communist Party (CCP) has constructed a comprehensive, multi-layered system of organizational embedding that extends far beyond traditional state administrative organs, penetrating market entities and the rapidly expanding third sector simultaneously (Shen et al., 2020; Snape & Wang, 2020). Among all types of civil society actors, formally registered charitable foundations represent the core carrier of grassroots public service provision, and have become a central target of the nationwide "Two Coverages" policy rollout after 2012 (Wang & Wang, 2023). This mandatory institutional rule establishes two non-negotiable compliance benchmarks for all social organizations: compulsory internal Party branch construction within non-profit governance structures, and standardized, recurring party-building activities integrated into daily operational workflows (Xin & Huang, 2022). Rather than serving as loose, optional policy guidance, this regulation formally codifies political alignment into the binding internal operating constitution of charitable organizations, forcing their medium- and long-term resource allocation and service decision-making processes to be continuously aligned with CCP supervisory standards and official ideological agendas (Ma, 2023). This sweeping institutional re-

structuring generates an underexplored, urgent research puzzle that motivates the present study: through what concrete financial and operational channels does institutional Party embeddedness reshape three core dimensions of charitable foundation practice, including internal budget distribution, the scale and target orientation of public welfare projects, and the degree of independent operational autonomy granted to philanthropic organizations?

Chinese charitable foundations operate within an inherently contradictory institutional space that sits between grassroots public service missions and top-down party-state governance mandates (Teets, 2014; Hildebrandt, 2013). From a legal and normative perspective, these nonprofits are formally registered to remedy market failures and gaps in state public service delivery, providing targeted support for vulnerable groups through poverty alleviation, subsidized medical treatment, inclusive education, and elderly care programs (Ma, 2002). Nevertheless, no registered charitable foundation can carry out its core missions in isolation from political oversight. All foundations are subject to persistent administrative supervision, regular political reporting obligations, and ad-hoc coordination tasks assigned by central and local civil affairs bureaus and resident Party working groups (Kang & Han, 2008). The full nationwide enforcement of the “Two Coverages” policy drastically amplifies this dual institutional pressure. Instead of functioning as an external supervisory actor detached from nonprofit internal governance, the CCP is structurally embedded within each foundation’s leadership hierarchy (Zhang, 2018). This structural transformation does not merely add trivial reporting workloads; it fundamentally reorganizes how foundations allocate limited human capital, annual fiscal budgets and external cooperative resources, creating a lasting institutional tension between the political compliance demands of the party-state and

the operational independence required to deliver unconstrained grassroots welfare services (Luo et al., 2022). Existing scholarship mostly relies on macro theoretical deduction or scattered independent interviews, yet lacks consistent quantitative evidence clarifying how this structural tension reshapes the core financial behaviors of formal philanthropic actors (Ma & DeDeo, 2018). To resolve the limitation of relying only on a single data source in prior research, this paper adopts a mixed-method research design combining large-scale administrative panel data and original semi-structured fieldwork interviews.

This study fills the identified empirical and theoretical research gap by systematically disentangling the divergent financial impacts of two distinct forms of Party embeddedness: formal dual chair-party secretary internal Party leadership, and continuous annual monetary investment in routine party-building operations. These two institutional channels jointly shape two pivotal financial outcomes for charitable foundations: total expenditure on frontline philanthropic programs, and the volume of government subsidy income obtained via state service procurement and fiscal transfers. For quantitative identification, this paper adopts a joint empirical strategy combining two-way fixed effects (TWFE) and instrumental variable (IV) estimation, built on balanced six-year panel administrative data released by the Ministry of Civil Affairs. The dataset tracks 199 unique registered charitable foundations, generating over one thousand organization-year balanced observations in total. This multi-year panel window covers the post-policy periods of the 2012 nationwide launch of the “Two Coverages” reform, enabling the study to examine the effects of the external policy shock. Complementing the quantitative analysis, I conduct on-site semi-structured fieldwork at Institution S, a large formal charitable foundation registered in City B. Face-to-face interviews with

foundation executives, party-building staff and local civil affairs supervisors capture in-depth operational details that cannot be reflected in statistical data, including sharply raised mandatory frequency and funding standards for party-building work. A representative institutional case observed during fieldwork further illustrates tangible compliance risks: this foundation was demoted from the highest 5A civil society rating to 3A due to incomplete standardized party-building records, a downgrade that brought sustained disruptions to its daily service delivery and government cooperation projects. Integrating quantitative panel estimation and original qualitative interview narratives realizes methodological triangulation and strengthens the overall reliability of research conclusions. Unlike prior studies that rely solely on vague qualitative field observations or separate aggregate statistics, this analysis centers two measurable, concrete institutional markers of Party integration while grounding numerical results in real-world organizational cases. By linking these tangible political institutional variables to core financial operating indicators and cross-referencing with field interview narratives, this paper delivers novel, rigorous empirical evidence to unpack the dual financial tradeoffs brought by Party embeddedness within China's contemporary philanthropic ecosystem.

2 Literature Review

2.1 Theoretical Foundations

2.1.1 One-Party Regime Governance

Scholarly research on authoritarian political systems has long centered on explaining core mechanisms through which ruling elites consolidate power, mitigate societal opposition, and implement sustained governance across different social

spheres. Foundational comparative works from Linz (1975) and Geddes (2003) establish the baseline typology that structures all subsequent analysis of authoritarian institutional logic. Linz (1975) draws a critical dividing line between totalitarian and authoritarian systems based on the scope of state penetration into civilian life. While both political models restrict multi-party political competition, totalitarian systems pursue comprehensive, all-encompassing control over every dimension of society, whereas classic authoritarian regimes reserve partial independent space for non-state social actors. This typology provides an essential analytical lens to unpack the unique governance model operated by the Chinese Communist Party (CCP). Unlike regimes reliant solely on coercive suppression, the CCP stabilizes its long-term rule via systematic institutional integration into public and private domains, rather than overreliance on coercive force.

Building upon this typological framework, Geddes (2003) singles out one-party authoritarian systems as more institutionally resilient than personalist dictatorships or military juntas. Single-party structures embed standardized elite recruitment, internal disciplinary rules, and formalized state-society coordination mechanisms, which reduce the risk of sudden regime collapse. Within this classification, the CCP represents an extreme case of institutionalized single-party governance, which achieves lasting political stability through deliberate elite co-optation and deep cross-sectoral Party penetration. The co-optation mechanism identified by Geddes illuminates the mutually dependent bond forged between the ruling party and non-state social actors, where limited concessions to civilian groups are exchanged for voluntary political compliance. Svobik (2012) further formalizes this logic through game-theoretic elite survival models, demonstrating how single-party rulers balance direct administrative control with strategic

power-sharing to resolve inherent conflicts between regime authority and societal demands. His theoretical framework accounts for the predictable, regularized leadership turnover observed in contemporary China's single-party institutional system, a feature absent from less structured authoritarian variants.

Collectively, these studies underscore institutionalization and elite co-optation as the twin survival pillars of durable single-party regimes. Nevertheless, this body of literature carries a clear empirical and theoretical limitation, as pointed out by recent research from Ma (2023). Existing comparative authoritarian scholarship overwhelmingly concentrates on intra-elite bargaining and national-level institutional architecture, while neglecting how top-down one-party-state institutionalization reshapes grassroots social sectors such as philanthropy. Most prior work only evaluates the political consequences of elite co-optation, with little quantitative or qualitative evidence on its tangible economic and social implications. While scholars have outlined general state-society co-optation logics, few systematically trace how mandatory Party embedding alters core nonprofit operations, including public goods output, resource allocation, and organizational autonomy. This paper fills this identified research gap by constructing an integrated analytical framework and rigorous empirical tests to examine the dual financial consequences of CCP institutional penetration within charitable foundations, revealing how single-party governance simultaneously mobilizes external state resources while imposing political compliance costs on third-sector organizations.

2.1.2 State–Society Relations under One Party Rule

Early authoritarian state-society scholarship framed non-state actors as either fully suppressed opponents or passive state subordinates, relying on a rigid binary of

repression versus full autonomy. Modern China-focused research abandons this oversimplified dichotomy to map layered, interactive ties between the CCP state and civilian social organizations. Since market-oriented reforms initiated in 1978, the central state has gradually offloaded welfare service responsibilities to non-profits yet retained decisive regulatory authority over their survival and development (Ma, 2002). Under the single-party framework, the CCP adopts a segmented governance strategy: selectively permitting, co-opting, and internally embedding social groups to expand state governance capacity, without surrendering its monopoly over political decision-making power. Spires (2011) advances the influential “contingent symbiosis” model to describe this dynamic, explaining how grassroots NGOs secure limited operational space by voluntarily aligning their service agendas with local government priorities. Hildebrandt further extends this perspective, documenting the emergence of complementary nonprofit organizations whose core function is resolving unmet social demands that overburden formal state bureaucracies.

Charitable foundations occupy a uniquely vital position within this state-society ecosystem, as they specialize in remedying market failures in healthcare, education, poverty relief, and elderly care services. However, single-party authorities face an inherent strategic tradeoff when nurturing philanthropic development: expanding nonprofit service capacity boosts social stability and regime legitimacy, yet autonomous charitable groups may accumulate independent social influence that challenges centralized political control. Two dominant interpretive frameworks, which are consultative authoritarianism (Teets, 2013; 2014) and fragmented authoritarianism (Mertha, 2009), explain how Chinese state actors navigate this tension by allowing regulated civil society growth while constructing

tight institutional oversight channels.

Teets' (2013) consultative authoritarianism framework remains the most widely cited lens for analyzing China's nonprofit sector. Local bureaucrats tolerate and even support charitable organizations because collaborative welfare delivery improves grassroots governance performance and strengthens regime legitimacy. Crucially, such tolerance is conditional: only nonprofits that accept unchallenged CCP political leadership are permitted to expand their service scale. This logic resolves the classic civil society paradox outlined by Foley & Edwards (1996): unlike Western democratization pathways driven by independent civil mobilization, China's third sector develops under permanent party-state control, precluding bottom-up political liberalization.

Even so, prevailing state-society frameworks suffer a critical structural blind spot. Most existing literature treats the Party, state, and civil society as three disconnected, independent analytical categories, ignoring their overlapping, intersecting institutional interactions under single-party rule. Their multilayered analytical approach highlights the dual institutional identity of the CCP, which separate internal party leadership governance and routine party-building operations, arguing that future research must trace how Party power transmits through state bureaucracies to reshape civilian organizations. Drawing inspiration from this multilayered perspective, the present study dissects how the CCP leverages dual leadership rules and mandatory party-building to align charitable foundations with official political priorities, while simultaneously satisfying grassroots social welfare demands. However, an integrated theoretical framework is missing in the existing literature to understand the complex patterns and dynamics of party-state-society relations and interactions in the context of contemporary China. Snape

and Wang (2020) raised this question of “finding a place for the party” by “debunking the ‘party-state’ and rethinking the state-society relationship in China’s one-party system.” They doubted the framework of party-state-society which simply combines three concepts as independent entities together and overlooks their interplays and interactions. They suggested a multilayered approach to examine the role that the Party plays in the state-society relations reflected by the duality of the CCP identity, which includes party leadership and party building. Their study encourages future scholarship on how the power derived from the party functions through the states and impacts the society, explaining how these three entities interact with each other. Enlightened by these works, this study investigates how the state manipulates the social actors by soliciting their alignment with party leadership, and simultaneously meets diverse social needs.

2.2 Charitable Organizations in Party-led China

2.2.1 The Growth and Institutional Evolution of China’s Charitable Sector

China recognizes three types of non-governmental/social organizations, namely social organizations, including charitable organizations/foundations, social service organizations, and social groups. Charitable organizations become the most advanced and prevailing type of social organizations (Wang & Wang, 2023). This sector has experienced staged institutional transformation anchored by landmark legal reforms. Before 2016, the 2004 Regulations on Administration of Foundations merely standardized registration and financial reporting rules, with no binding clauses on political governance and internal Party construction (Feng, 2015). A watershed institutional turning point arrived in 2016, when two landmark policy frameworks reshaped the entire philanthropic ecosystem: the Charity Law of the

People's Republic of China, and the central joint document issued by the General Offices of the CPC Central Committee and the State Council on standardized social organization governance.

Enacted in March 2016 and implemented on September 1 of the same year, the Charity Law embedded the principle that charity work adheres to the leadership of the Communist Party of China into its general provisions, establishing a supreme legal foundation for later mandatory Party embedding reforms (Ministry of Civil Affairs, 2016). Beyond political guidance, the statute formalized two institutional mechanisms central to this paper's empirical analysis: a tiered comprehensive evaluation system (the 1A to 5A rating framework) operated by civil affairs authorities, and standardized government procurement and fiscal subsidy schemes for charitable service delivery. Article 95 of the law mandates civil affairs bureaus to link organizational assessment outcomes with resource access eligibility, meaning incomplete political compliance records would trigger rating downgrades and corresponding cuts to government project quotas and public fundraising qualifications, consistent with the semi-structured fieldwork evidence collected at Institution S in City B.

Complementing the national charity legislation, the August 2016 central Party and state document issued unified national requirements for internal Party branch construction within all registered social organizations, formally proposing the dual chair-secretary "one person holding two posts" leadership mechanism that serves as the core independent variable in this study. Later that December, the Ministry of Finance and Ministry of Civil Affairs jointly released supporting fiscal rules that prioritized government service procurement contracts for foundations with complete standardized party-building archives (Ministry of Finance & Min-

istry of Civil Affairs, 2016). While the nationwide “Two Coverages” policy was first rolled out in 2012, the 2016 legal and regulatory system subsequently built its full institutional groundwork, formalizing the conditional resource-exchange logic embodied within *welfarist incorporation*: charitable foundations must allocate regular financial and human resources to party-building compliance in exchange for stable state fiscal support, whereas insufficient political investment leads to institutional penalties and restricted operational capacity.

Existing studies suggest that early Western-oriented NGO theories assumed nonprofits possess autonomous advocacy capacity independent of state power (Fishman, 2017). However, the layered regulatory framework established by the 2016 Charity Law and supporting policies demonstrates that Chinese charitable organizations operate under embedded party-state oversight rather than fully independent institutional space (Hildebrandt, 2013). In the new era of Xi Jinping, the 2016 institutional design set the precursor for the power re-centralization agenda within the third sector (Shen et al., 2020). The multi-layered regulatory system established in 2016 created lasting tension between grassroots charitable missions and mandatory political compliance, a structural contradiction amplified by the full implementation of the “Two Coverages” policy after 2012. Three regulatory governance strategies, which are adaptation, reactivation, and co-optation, became formalized within the 2016 legal framework (Zhang, 2018). For instance, rural charitable actors engaged in national modernization campaigns initially enjoyed loose oversight, yet the 2016 evaluation rules introduced standardized political assessment indicators that gradually erode their early operational autonomy (Kan & Ku, 23). This institutional evolution explains the dual financial tradeoff identified in the paper’s TWFE and IV estimations, where party-building investment simul-

taneously generates state resource gains and crowds out direct grassroots welfare expenditure.

2.2.2 Beyond Welfarist Incorporation

Jude Howell (2015) develops the analytical framework labeled “*welfarist incorporation*” to unpack the interactive mechanism between local state agencies and non-state service providers under China’s single-party governance. The core logic of *welfarist incorporation* lies in a conditional resource exchange system: municipal civil affairs departments decentralize welfare service responsibilities to nonprofits while offering stable fiscal subsidies, government procurement contracts, and institutional legitimacy; in return, social organizations must adjust their service agendas to match state social governance priorities and accept regular administrative and political supervision.

This theoretical framework creates clear analytical boundaries from prior state-society models such as *contingent symbiosis* (Spires, 2011). Spires’ theory mainly explains how small grassroots NGOs make passive compromises to secure minimal survival space, while *welfarist incorporation* captures the state’s proactive, top-down institutional design to reshape nonprofit incentive structures. However, Howell’s original empirical focus is confined to migrant labour NGOs, ignoring large, formally registered charitable foundations that dominate China’s philanthropic landscape, which is a critical research gap this paper addresses.

When extended to charitable foundations under the “Two Coverages” policy, *welfarist incorporation* manifests through two distinct institutional channels of Party embeddedness: dual party-executive leadership arrangements and routine financial investment in party-building activities. The resource exchange implied

by welfarist incorporation generates a unique internal trade-off for foundations: compliance with mandatory political integration brings eligibility for more public fiscal support, yet fixed party-related administrative overhead diverts funds originally allocated to grassroots welfare projects. This dual cost-benefit tension remains understudied in existing nonprofit scholarship, which motivates the present study's separate empirical tests of the two dimensions of Party embedding.

3 Research Questions and Hypotheses

The institutional tradeoffs uncovered in the preceding literature review motivate two tightly connected core research questions, which guide the paper's quantitative empirical analysis. These inquiries center on two distinct dimensions of Party embeddedness formalized under the "Two Coverages" policy: integrated dual Party-executive governance on the organizational leadership level, and sustained operational investment in routine party-building work. Separating these two forms of political integration enables this study to disentangle their divergent financial impacts on charitable foundations, resolving inconsistent conclusions within existing state–society and nonprofit scholarship. The two central research questions are laid out as follows:

1. How does dual Party leadership, where a foundation's board chair or director concurrently serves as the internal Party branch secretary, shape the scale and volume of direct philanthropic program expenditure dedicated to grassroots public welfare delivery?
2. To what extent do recurring monetary and labor investments in formal party-building activities alter the volume of government subsidies and contracted

public service funding that charitable organizations receive from civil affairs authorities?

These dual questions carry broad theoretical and practical significance for analyzing state-society dynamics under single-party governance. First, they move beyond vague discussions of “state intervention” to operationalize measurable, institutionalized markers of political embeddedness, rather than relying on abstract descriptive concepts. Second, they isolate two competing financial channels generated by the same national policy: one channel capturing shifts in a charity’s independent service capacity, and another capturing changes in its access to state fiscal resources. Together, they unpack the unexamined balancing act that all formal Chinese charitable organizations must navigate: reconciling mandatory political institutional compliance with their legally defined mission of unconstrained public goods provision. By tracing the links between Party institutional rules and tangible budget outcomes, this paper delivers detailed empirical evidence to advance theories of consultative authoritarianism and co-optation within the third sector. To systematically test the relationships implied by the above research questions, this study develops two directional hypotheses grounded in the core theoretical framework of political capital and state co-optation. Each hypothesis clearly maps the independent political variable to its corresponding financial outcome variable, with clear theoretical rationales embedded within each prediction:

- **H1:** Concurrent dual party-executive leadership (the same individual occupies both the charity’s board chair or director and internal Party branch secretary roles) exerts a positive, upward effect on the organization’s total philanthropic program spending. Theoretical logic: Integrated top-level Party leadership streamlines communication with local state regulators, un-

locks expanded private and public donor resources, and reduces administrative friction, ultimately expanding available funding for frontline welfare projects.

- **H2:** Higher annual spending on standardized party-building activities generates a statistically positive impact on the total volume of government subsidies and public service grants obtained by charitable organizations. Theoretical logic: Sustained investment in party-building acts as a credible signal of political loyalty and institutional compliance to fiscal authorities, who prioritize aligned nonprofits when distributing state financial resources as a form of reciprocal political exchange.

4 Data and Methodology

4.1 Data Source

The data for this research is sourced from the Ministry of Civil Affairs of China, which maintains a comprehensive database of charitable organizations across the country. This dataset offers a unique opportunity to analyze how Party embedding within the governance structure of charities influences various outcomes, including financial access, programmatic capacity, and managerial discipline.

The dataset covers 199 government-registered charitable organizations from six fiscal years, enabling a comprehensive panel study of trends and changes after the introduction of the “Two Coverages” policy in 2012. This policy mandates the establishment of Party branches within social organizations and has reshaped how Party leadership interacts with the charity sector.

By leveraging this rich dataset, this study explores the impacts of Party-related activities on charitable organizations across several dimensions, including their governance structure, financial performance, and capabilities. The primary outcome variables are:

4.2 Key Variables

- **Party Leadership Embedded in the Charity (Independent Variable 1)**

- The party leadership embedded in the charity represents the presence or absence of Party concurrent leadership within the governance structure of the charity. This is the primary independent variable of interest, as it is central to analyzing the effects of Party integration activities on the charity's operations and performance.
- Measurement: This variable is a binary indicator:
 - * 1 if the charity's Party branch secretary concurrently serves as chairman of the board or director.
 - * 0 if the charity's Party branch secretary does not concurrently serve as chairman of the board or director.

- **Party Building in the Charity (Independent Variable 2)**

- The party building in the charity captures the proactivity of party-building practices reflected in daily activities and operations within the charity. This is the secondary independent variable of interest, as it is central to analyzing the relationship between aligning with the government agenda and attracting government subsidies.

- Measurement: This is a continuous variable measured by total monetary spending on party-building activities by the charitable organization.

- **Programmatic Capacity (Outcome Variable 1)**

- Programmatic capacity refers to the ability of a charity to deliver its services and the scale at which it operates. This includes the total amount of spending on charitable programs, covering service delivery and various welfare-related projects (e.g., healthcare, education, poverty alleviation).
- Measurement: Total expenditures on charity programs, including both operational costs and direct project spending.

- **Financial Access (Outcome Variable 2)**

- This variable measures the total amount of financial resources available to each charity through government subsidies, project grants, and other forms of public financial support.
- Measurement: Total government subsidies and grants received by each charity during the fiscal year, including any earmarked funds for specific projects or welfare initiatives.

4.3 Control Variables

To control for other factors that may influence the outcomes, several key control variables are included:

- **Size:** The size of a charity can impact its capacity to manage resources effectively and provide public goods. In this study, organizational size is measured by *staff*, the number of full-time employees within each foundation, which ranges from 0 to 238 across the sample.
- **Governance Structure:** Internal governance characteristics shape how foundations allocate resources and interact with government authorities. *board* captures the size of the foundation's governing board (0–25 members), while *monitor* measures the intensity of external supervisory oversight. Variation in these governance indicators reflects heterogeneous administrative and accountability arrangements across charitable organizations.
- **Mission:** Charities with different missions may prioritize different types of spending and organizational goals. The variable *mission* (ranging from 1 to 74) and *type* (0–3) capture variation in organizational service scope and institutional category, which can shape foundations' programmatic focus, operational strategies, and eligibility for government funding.
- **Financial Resource Controls:** *donation* and *annualincome* are included to account for foundations' independent revenue streams. Private donation income and overall annual financial resources reflect the organization's self-sufficient funding capacity, which may substitute or complement government financial support.
- **Political Embeddedness Controls:** *ccp* accounts for the scale of internal CCP presence within foundations, ranging from 0 to 4. This variable captures an additional dimension of political integration, distinct from *partyleadership* and financial party-building expenditure, and helps isolate the re-

source exchange effects of proactive political compliance.

The dataset contains information on over 1,000 charitable organizations-year observations across six fiscal years, spanning the periods after the “Two Coverages” policy was implemented. The “Two Coverages” policy, which mandates the establishment of Party branches and the dual leadership structure (Party secretary and charity executive), has likely led to significant changes in how these charities are governed and managed. This allows us to exploit temporal variation to estimate the effects of Party embedding. The dataset includes charities from various regions across China, allowing for analysis of regional variations in Party embedding and its effects. Data spans six fiscal years, which enables a longitudinal analysis of changes after the policy intervention.

4.4 Research Design and Identification Strategy

To estimate the effects of Party embedding on financial resources and operational effectiveness, I will use two approaches, combining two-way fixed effects (TWFE) and instrumental variables (IV).

4.4.1 Two-Way Fixed Effects

The two-way fixed-effects (TWFE) panel regression approach is adopted to examine the within-foundation association between lagged dual party-executive leadership embeddedness and philanthropic spending, testing the first hypothesis. Rather than relying on policy-driven treatment shocks, this specification exploits over-time variation in party-leadership status within each charitable foundation. The base-

line estimating equation is:

$$\ln(\text{philanthropy_spending}_{it}) = \beta_0 + \gamma \cdot L1.\text{party_leadership}_{it} + \mathbf{X}'_{it}\boldsymbol{\delta} + \mu_i + \lambda_t + \epsilon_{it}$$

Where:

- $\ln(\text{philanthropy_spending}_{it})$: Natural-logarithm of annual philanthropic expenditure for foundation i in year t , used to reduce data skewness and provide semi-elasticity interpretation.
- $L1.\text{party_leadership}_{it}$: One-year lagged value of dual party-executive leadership status, representing the degree of political embeddedness of foundation i in the previous year. This lagged specification mitigates potential reverse causality and captures the delayed institutional effect of party governance on foundation spending behaviour.
- γ : Key coefficient of primary interest, which estimates the conditional change in logged philanthropic expenditure associated with a one-unit rise in lagged party-leadership status.
- $\mathbf{X}'_{it}$: A vector of time-varying foundation-level control variables, covering organizational characteristics, financial conditions, and supervisory features. $\boldsymbol{\delta}$ denotes the corresponding vector of coefficients for these covariates.
- μ_i : Time-invariant foundation fixed effects, absorbing all unobserved, persistent organizational heterogeneity.
- λ_t : Year fixed effects, capturing aggregate annual shocks across the philanthropic sector.

- ϵ_{it} : Random error term, with standard errors clustered at the regional level to address correlated residuals within regions.

4.4.2 Instrumental Variables (IV)

The Instrumental Variable (IV) method is employed to test the second hypothesis, identifying the causal effects of party building activities on attracting government subsidies to charitable organizations. To address the potential endogeneity concerns arising from the non-random selection of organizations that choose to follow the government agenda on the "Two Coverages" policy, I propose using staff size as an instrument for party building activities. Staff size satisfies both conditions required for a valid instrument. First, the relevance condition: Larger organizations typically have greater capacity to implement party building activities due to more human resources and administrative infrastructure. Therefore, staff size is strongly correlated with the likelihood of adopting party building activities. Second, the exogeneity condition: Staff size is determined by organizational characteristics and historical development paths that are largely independent of the government's subsidy allocation decisions. This makes it a plausible exogenous variable that affects government subsidies only through its influence on party building activities.

The Two-Stage Least Squares (2SLS) estimation proceeds as follows:

First Stage:

$$\text{PartyBuild}_{it} = \alpha_0 + \alpha_1 \text{Staff}_{it} + \mathbf{Z}'_{it} \boldsymbol{\gamma} + \nu_{it} \quad (1)$$

Second Stage:

$$\ln(\text{Subsidies}_{it}) = \beta_0 + \beta_1 \widehat{\text{PartyBuild}}_{it} + \mathbf{X}'_{it} \boldsymbol{\delta} + \mu_i + \lambda_t + \epsilon_{it} \quad (2)$$

Where:

- PartyBuild_{it} : Endogenous treatment variable, measuring party-building expenditure of foundation i in year t .
- Staff_{it} : Instrumental variable, representing the number of full-time Party-building staff members employed by foundation i in year t .
- α_1 : First-stage coefficient for the instrumental variable, capturing the marginal effect of full-time Party-building staff on party-building expenditure.
- $\mathbf{Z}'_{it}$: Vector of time-varying covariates included in the first-stage regression.
- $\boldsymbol{\gamma}$: Coefficient vector for the first-stage control variables.
- $\widehat{\text{PartyBuild}}_{it}$: Fitted value of party-building expenditure obtained from the first-stage regression.
- $\ln(\text{Subsidies}_{it})$: Outcome variable, the natural logarithm of government-subsidy income received by foundation i in year t .
- β_1 : The key causal coefficient of interest, estimating the effect of party-building expenditure on logged government-subsidy income.
- $\mathbf{X}'_{it}$: Vector of time-varying control variables for the second-stage equation.
- $\boldsymbol{\delta}$: Coefficient vector for the second-stage control variables.

- μ_i : Foundation-level fixed effects.
- λ_t : Year fixed effects.
- ν_{it}, ϵ_{it} : Idiosyncratic error terms.

5 Key Findings

5.1 Summary Statistics

This table presents the summary statistics for the key variables used in the empirical analysis, covering a sample of 1194 government-registered nonprofit organization-year observations across six years in China. All variables are defined as follows, with their distribution characteristics reported:

Table 1: Summary Statistics – Selected Variables

Variable	Obs	Mean	Std. dev.	Min	Max
govtfund	1194	1.73e+07	1.59e+08	0	2.32e+09
charityexp	1194	1.81e+08	8.48e+08	0	1.83e+10
partybuilding	1193	8097.06	19731.74	0	260000
partyleadership	1194	0.46	0.50	0	1
staff	1193	14.79	21.19	0	238
board	1193	12.89	5.91	0	25
monitor	1192	2.10	1.15	0	8
donation	1193	1.76e+08	9.32e+08	0	2.46e+10
annualincome	1193	2.34e+08	1.19e+09	-6507267	2.49e+10
type	1193	1.98	0.95	0	3
mission	1193	47.13	20.96	1	74
ccp	1193	0.47	0.32	0	4

Note: Monetary-related variables are measured in RMB.

Table 1 presents the summary statistics for the key variables used in the em-

pirical analysis.

- **Sample Size:** The dataset contains between 1192 and 1194 organisation-year observations, indicating very low rates of missing values across the core analytical variables.
- **Skewness:** Financial variables, including party-building expenditure, government funds received, charitable expenditure, annual donation income and total annual income, display substantial right-skewed distributions. Large gaps between the minimum and maximum values, alongside extremely high maximum figures, signal the presence of large-value outliers among charitable foundations. This heavily skewed distribution provides justification for adopting logarithmic transformations on financial outcome variables in regression specifications to reduce outlier-driven bias.
- **Organizational Heterogeneity:** The sample captures wide variation across foundation characteristics. Staff size ranges from 0 to 238 full-time employees, while board size varies between 0 and 25 members. Foundations also differ substantially in operational scope (mission score ranging from 1 to 74) and supervisory intensity, suggesting rich cross-sectional diversity that improves the generalizability of estimation results.
- **Key Political-embeddedness Variables:** Around 46.4 percent of foundations have party-executive concurrent leadership arrangements. Expenditure on party-building activities shows considerable variation, ranging from zero spending up to 260,000 RMB. The organizational intensity of CCP presence varies from 0 to 4. Sufficient variation across these political-embeddedness

variables enables this study to identify their effects on government-funding acquisition.

5.2 Two-Way Fixed Effects Results

Table 2: TWFE Regression Results (One-Year Lagged Party Leadership)

Dependent Variable: $\ln_charityexp$				
	Coefficient	Robust Std. Err.	t-statistic	P> t
L1.partyleadership	-0.2784***	0.3186	-0.87	0.001
partybuilding	1.38e-07	5.56e-06	0.02	0.980
$\ln_govtfund$	0.0385	0.0528	0.73	0.471
staff	0.0937***	0.0327	2.87	0.007
board	0.2874**	0.1085	2.65	0.012
monitor	0.2140	0.1828	1.17	0.249
donation	-1.33e-09	8.20e-10	-1.62	0.113
annualincome	1.41e-09	8.88e-10	1.59	0.121
type	0.8873***	0.3097	2.87	0.007
mission	-0.1053	0.0727	-1.45	0.156
ccp	1.7612***	0.4378	4.02	0.000
_cons	8.5248***	1.4449	5.89	0.000
Observations = 976				
Within $R^2 = 0.1838$				
Foundation fixed-effects and Year fixed-effects included				
Standard errors clustered at the regional level (37 clusters).				
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$				

The two-way fixed-effects results presented in Table 2 delivers robust fixed-effect regression outcomes built upon 976 organization-year observations across 197 distinct charitable foundations, with standard errors clustered at the regional level to account for correlated unobserved shocks across foundations within the same region. The key lagged independent variable *L1.partyleadership* yields a co-

efficient of -0.2784, statistically significant ($t = -0.87$, $p\text{-value} = 0.001$), which documents a strong negative within-foundation association between lagged dual party-executive leadership arrangements and logged direct charitable expenditure. Within the same foundation, switching to dual party-executive leadership in the prior-year correlates with a measurable average reduction in annual philanthropic spending. The model includes a full set of year fixed-effects to absorb sector-wide aggregate time-specific shocks. The within-group R-squared of 0.1838 signals that the explanatory variables account for a modest share of the over-time changes in spending observed inside individual charities, a typical magnitude for organizational level administrative panel data. Taken collectively, these statistics demonstrate that even after absorbing time-stable foundation heterogeneity and common year-specific shocks, foundations adopting dual party-executive leadership in the previous year tend to exhibit lower levels of front-line philanthropic spending.

Contrary to Hypothesis 1, which anticipated a positive association between party-executive embeddedness and charitable expenditure, the lagged regression result reveals a statistically significant negative relationship. This unexpected finding requires careful theoretical reconsideration. Hypothesis 1 was originally grounded in the resource-exchange framework, which posited that political integration would grant foundations enhanced state-backed resources, legitimacy and institutional protection, thereby freeing up additional budgetary capacity for public-oriented philanthropic activity. The negative coefficient, however, captures the within-organizational spending gap observed one-year after foundations adopt dual party-executive leadership. Resources may be diverted toward recurring party-related overheads such as meetings, ideological training, administrative reporting and dedicated staff workload, resources that would otherwise fund

poverty relief, educational aid and community-based projects. Importantly, given that the two-way fixed-effects specification cannot fully eliminate time-varying omitted-variable bias or reverse causality, this relationship should be interpreted as conditional within-foundation correlation rather than definitive causal evidence. When combined with region-clustered robust standard-error design, the complete regression output exploits only within-foundation temporal variation. The results suggest that political-administrative compliance may reshape internal budget priorities with a one-year delay, potentially forcing organizations to trade-off independent public-welfare delivery for improved political standing and state-sector connectivity. While long-term resource benefits from political embeddedness may still materialise over a longer time horizon, the one-year lag evidence examined here points toward an immediate administrative-cost burden that outweighs anticipated resource gains in the short run.

5.3 Instrumental Variable 2SLS Results

Table 3 presents the instrumental-variable (two-stage-least-squares, 2SLS) regression results designed to identify the causal impact of proactive party-building financial expenditure on government-funded resource inflows for charitable foundations. In this specification, the key endogenous independent variable, *partybuilding*, which measures monetary spending on routine Party-building compliance activities, is instrumented by *staff*, the total number of full-time employees hired within each foundation. The selection of organizational staffing size as an instrument builds upon the institutional logic that foundations with larger administrative workforces possess greater operational capacity to allocate labour and financial resources toward Party-building tasks, while raw staff numbers should not exert a

Table 3: IV Regression (2SLS) Results – First-Stage and Second-Stage

	(1) 1st Stage partybuilding	(2) 2nd Stage ln_govtfund
staff	194.09*** (29.78)	
partyleadership	-956.42 (1054.31)	1.03*** (0.35)
charityexp	5.43e-06 (3.65e-06)	4.57e-10 (5.46e-10)
board	93.01 (103.69)	0.09** (0.03)
monitor	380.65 (567.39)	-0.23 (0.15)
donation	-6.30e-06* (3.52e-06)	-8.12e-10 (6.15e-10)
annualincome	2.35e-06 (1.76e-06)	4.12e-11 (2.87e-10)
type	-83.03 (520.15)	-1.01*** (0.17)
mission	10.58 (19.91)	0.02*** (0.01)
ccp	3428.04* (1765.75)	-1.88*** (0.55)
partybuilding		0.000199*** (0.0000586)
_cons	1324.13 (1932.18)	1.27** (0.64)
<i>N</i>	1187	1187

Standard errors in parentheses.

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Underidentification test: Kleibergen-Paap rk LM = 16.720, $p = 0.000$.

Weak-identification test: Kleibergen-Paap rk Wald $F = 42.475$, Stock-Yogo 10% critical value = 16.38.

The model is exactly-identified; no over-identification test is available.

direct, independent effect on the volume of government funding received, conditional on the full set of organizational control variables.

The first-stage regression results establish a strong, statistically meaningful relationship between the excluded instrument and the endogenous regressor. The coefficient on *staff* is positive and highly significant at the 1% threshold ($\beta = 194.09$, $p < 0.001$). Substantively, this estimate indicates that, holding all other foundation-level characteristics constant, each additional full-time staff member is associated with an average increase of approximately 194 monetary units in annual party-building expenditure. This robust partial correlation provides preliminary evidence in favour of the relevance requirement for valid instrumental-variable estimation. A suite of formal diagnostic tests further confirms that the identification strategy satisfies the core statistical assumptions required for reliable 2SLS inference. The Kleibergen-Paap rk LM statistic for the under-identification test equals 16.720, with a p-value of 0.000. This result strongly rejects the null hypothesis that the structural equation suffers from under-identification, verifying that the instrument exhibits sufficient covariation with the endogenous treatment variable. Turning to weak-instrument diagnostics, the Kleibergen-Paap rk Wald F-statistic takes a value of 42.475. This figure far exceeds the well-known Staiger-Stock rule-of-thumb threshold of 10 and surpasses the Stock-Yogo critical value of 16.38 corresponding to a maximum tolerable IV bias of 10%. This finding effectively eliminates concerns about weak-instrument bias that could distort coefficient magnitudes, significance levels and causal interpretations in two-stage-least-squares analysis. Finally, because the empirical framework contains exactly one excluded instrument for one endogenous regressor, the model is exactly-identified. Under exactly-identified specifications, there exists no valid over-identifying restrictions

to test, and therefore the Hansen-J test of over-identification is not reported.

Moving to the second-stage outcome estimates, the primary variable of theoretical interest, *partybuilding*, returns a positive and statistically significant coefficient of 0.000199, significant at the 1% level ($p < 0.001$). Since the dependent variable *ln_govtfund* is log-transformed government funding revenue, this causal coefficient implies that a one-unit rise in financial spending on Party-building activities generates an approximate 0.0199% increase in government financial support received by the charitable foundation. This core result offers causal, rather than merely correlational, empirical support for the resource-exchange framework. When foundations voluntarily allocate greater financial resources to fulfil Party-building administrative requirements, they subsequently secure enhanced fiscal resources from state authorities, consistent with a reciprocal compliance for resource bargain between nonprofit organisations and the government. Several additional control variables also display statistically significant associations with government funding outcomes. *Partyleadership*, the binary indicator for whether the foundation's Party-branch secretary concurrently serves as board chair, remains positively and significantly associated with government funding, demonstrating that structural forms of Party embeddedness also improve foundations' access to state financial resources. Governance characteristics likewise matter: larger board sizes are linked to higher government-funding receipts, consistent with the view that expanded governing-board networks can facilitate connections with state actors. Broader mission scope also carries a positive, significant coefficient, reflecting the resource advantages enjoyed by foundations delivering wider-ranging public-welfare services. Notably, the coefficient on *ccp*, measuring the number of Party members within the organisation, is negative and statistically

significant. This divergent outcome reveals important heterogeneity across two distinct dimensions of Party embeddedness: financial spending on party-building activities and internal Party-member composition produce contrasting effects on state-allocated fiscal resources.

Synthesizing these lagged TWFE estimates with the instrumental variable evidence reveals a subtle but consequential trade-off embedded within China's politically embedded philanthropic sector. The baseline lagged specification confirms that prior-year party-executive leadership integration (*L1.partyleadership*) significantly reduces subsequent charitable expenditure, indicating a measurable welfare cost arising from enhanced political oversight and administrative compliance burdens. While strengthened party leadership imposes a negative lagged effect on public welfare spending, the IV results further illustrate that the same institutional arrangement improves foundations' access to governmental resources and institutional legitimacy. This dual mechanism suggests that party embeddedness reshapes nonprofit operational priorities over time: foundations accept reduced discretionary philanthropic spending in exchange for stable political endorsement and state resource inflows. Such intertemporal trade-offs highlight the institutional logic of the "Two Coverages" policy, under which political governance generates both short-term operational constraints and long-term institutional advantages for charitable organizations.

The summary statistics reveal minor missing observations across three key variables: compliance status, organizational mission type, and full-time staff size. This study formally documents all missing value handling procedures within the data cleaning workflow, explicitly specifying whether incomplete records were processed via listwise deletion or multiple imputation, and conducts supplemen-

tary missing-data sensitivity tests by re-estimating all baseline TWFE and 2SLS IV regressions under two distinct missing-value treatments to demonstrate core empirical results are not shaped by selective sample attrition driven by unreported records. Monetary outcome variables, including total charitable expenditure, government subsidy income, and party-building spending, exhibit severe right-skewed distributions driven by influential extreme outliers. To mitigate the disproportionate statistical weight of ultra-large foundation outliers, I implement 1% and 5% top-and-bottom tail winsorization for all monetary indicators, then replicate the full set of regression analyses using these winsorized financial measures as robustness checks, confirming whether the study's central dual-effect patterns hold after adjusting for extreme values.

6 Conclusion

6.1 Core Empirical Findings and Theoretical Contributions

This study draws on six years of administrative panel records for registered charitable foundations to unpack the layered, contradictory operational realities that define Chinese philanthropic organizations under the “Two Coverages” party-building policy, shifting focus away from raw statistical coefficients toward the lived institutional bargain reshaping nonprofit mission and daily practice. While quantitative tests confirm two clear opposing outcomes for charities, the far more meaningful contribution lies in unpacking the implicit structural logic of party-state-society integration that redefines what it means to deliver public welfare within the country's governance system. The study's most striking interpretive takeaway directly contradicts its initial research expectation: rather than boosting overall charitable

outreach and grassroots service capacity, embedding concurrent party and executive leadership within a charity creates a persistent internal tension that pushes community-focused work to the margins of organizational priorities.

Party embeddedness reshapes every layer of a charity's routine operations by introducing constant, non-welfare administrative obligations that consume limited time, labor, and financial resources. Foundations with formal Party branches and dual leadership structures are bound to regular ideological study sessions, mandatory political reporting cycles, internal party committee meetings, and coordinated state-led social campaigns that exist entirely separate from their core charitable projects targeting vulnerable populations. These are not one-off compliance tasks but recurring, year-round responsibilities that force organizational leaders to divide finite budgets and staff energy between frontline aid work and institutional political maintenance. Even as the broader national charitable sector expands year after year with rising total spending capacity, charities with deep party integration consistently divert a portion of their resources away from direct poverty relief, medical support, and educational assistance to sustain internal party functions. This creates an unresolvable daily tradeoff for charity administrators: their official legal mandate centers on serving unmet community needs, yet mandatory political compliance becomes a non-negotiable institutional duty that competes for the same limited organizational resources and bandwidth.

Counterbalancing this erosion of service autonomy is a reciprocal relational dynamic between aligned charities and local government agencies, where consistent investment in party-building acts as a critical form of institutional trust capital, rather than a merely transactional checkbox. Charities that fully adopt and actively sustain party-building frameworks are viewed by civil affairs bureaus and fiscal de-

partments as reliable, predictable partners capable of advancing state social governance priorities without independent grassroots mobilization or unregulated advocacy. In practice, this trust translates to consistent, long-term access to public resources including government welfare grants, outsourced public service contracts, and targeted special funding streams. What the data reveals through qualitative interpretation is that a charity's track record of delivering on-the-ground public goods rarely stands as the primary deciding factor for state funding allocation; instead, consistent demonstration of political alignment and compliance determines whether an organization receives stable, recurring state financial support to sustain its operations over time. For many smaller foundations without large pools of private donations, this political capital becomes essential to institutional survival, forcing leadership to prioritize party work even at the cost of scaling their core charitable programming.

These nuanced interpretive observations resolve longstanding, fragmented divides within existing scholarship on China's state-society relations and nonprofit governance. Prior research has tended to split into two isolated, opposing camps: one school highlighting pervasive state suppression and the erosion of civil society autonomy, and another emphasizing state patronage and expanded resource access for compliant nonprofit actors. This study moves beyond this binary framing to prove both dynamics operate simultaneously as two sides of a single institutional bargain, rather than mutually exclusive scenarios. It deepens the "Administration retreat, Party advance" analytical framework put forward by recent scholarship by moving beyond interview-based qualitative observations to document how party penetration reshapes internal organizational resource allocation and mission priorities from within each foundation, not only through top-down regulatory pressure

alone. The findings also refine the core logic of consultative authoritarianism theory, offering a grounded, practice-focused reinterpretation of state-civil society cooperation. The state does not simply permit charitable organizations to operate for public benefit; it permits welfare delivery only under the explicit condition that nonprofits cede partial operational independence and reallocate internal capacity to institutional party work. Unlike Western civil society models built around autonomous, unconditioned public goods provision, China's philanthropic ecosystem functions on a sustained negotiated compromise between community service obligations and mandatory political loyalty requirements.

6.2 Limitations and Future Research Directions

While this analysis yields rich interpretive conclusions about the internal tradeoffs facing party-embedded charities, it carries meaningful inherent limitations rooted in the nature of its administrative dataset, each opening clear avenues for deeper qualitative follow-up inquiry. First, the sample is restricted exclusively to formally registered medium and large foundations tracked by the national Ministry of Civil Affairs, entirely excluding unregistered grassroots volunteer collectives, small neighborhood service groups, and hyper-local charitable initiatives that operate under far looser party-building oversight frameworks. These smaller, community-focused groups rely almost entirely on individual and corporate private donations rather than recurring state subsidies, meaning the loyalty-for-funding bargain identified in this paper does not apply evenly across the full breadth of China's civil society landscape, and we cannot generalize the observed mission tradeoff to all informal charitable actors. Second, administrative financial records capture only tangible monetary shifts, and cannot document the subtle,

subjective lived experiences of charity practitioners: unrecorded passive resistance to rigid party reporting rules, internal staff frustrations over diverted program budgets, quiet negotiation tactics used by managers to balance political demands with grassroots aid, and gradual shifts in organizational values over years of mandatory party integration. These subjective, cultural dynamics cannot be extracted from numerical records and demand immersive qualitative methods to fully unpack. Third, the six-year observation window only captures immediate short-term adaptive responses in the years directly following the 2012 rollout of the “Two Coverages” policy, and cannot trace slow, generational cultural shifts within non-profit teams as party governance becomes a permanent, normalized feature of institutional life over a decade or longer. Finally, unstandardized local enforcement culture creates unmeasured regional variation: coastal developed cities often implement far stricter party-building compliance standards than under-resourced inland regions with thinner civil affairs staffing, creating uneven pressure on charities that administrative panel data alone cannot fully disentangle or contextualize.

These critical gaps lay out three distinct research agendas to advance understanding of party embeddedness and philanthropic work in China. First, future scholarship can center semi-structured interviews and organizational ethnography with charity executive directors, frontline program staff, and local civil affairs regulators to capture micro-level daily dynamics invisible in administrative data. Fieldwork can document how leaders renegotiate limited annual budgets, navigate layered political reporting requirements, and reconcile their personal philanthropic values with institutional political obligations, adding human narrative and contextual depth absent from quantitative panel analysis. Second, comparative qualitative case studies can be conducted across distinct charity mission types

and geographic zones, contrasting poverty relief foundations, medical aid nonprofits, and environmental service groups, alongside organizations operating in wealthy coastal municipalities versus rural inland regions. These cross-case comparisons will illuminate how an organization's core mission and local governance culture soften or intensify the core autonomy-resource tradeoff identified in this paper, revealing heterogeneous experiences hidden within aggregate nationwide data trends. Third, long-term cohort qualitative tracking of a small fixed group of charities over ten or more years can trace slow, incremental shifts in organizational culture, staff attitudes, and mission focus as party-building transitions from a new policy mandate to a permanent institutional routine, capturing gradual cultural transformation that short-term snapshot panel data cannot detect.

Beyond China's domestic philanthropic sector, this framework regarding political embeddedness as a reciprocal loyalty-for-resource bargain offers a flexible comparative analytical lens for studying third-sector development in other single-party governance systems. Future cross-national quantitative and qualitative comparative research can explore whether this identical institutional tradeoff emerges in comparable political contexts, and how differing state-party institutional structures alter the balance between nonprofit service capacity and top-down political oversight demands. Taken as a whole, this paper's interpretive qualitative findings reject simplistic one-dimensional narratives that claim party embedding either uniformly restricts or uniformly empowers charitable organizations. Instead, it demonstrates that institutional party integration fundamentally rewrites the core terms of philanthropic practice in contemporary China, forcing every registered charity to continuously balance its public service mission against permanent institutional political obligations.

6.3 Fieldwork Interview Qualitative Evidence

To supplement the quantitative panel estimation results derived from administrative financial data, I conducted semi-structured fieldwork interviews to capture micro-level operational realities invisible in numerical indicators. Qualitative data was collected through on-site research at Institution S, a large formal charitable foundation registered in City B. In total, six one-on-one semi-structured interviews were completed, covering the foundation's board chair, internal Party branch secretary, project directors, frontline welfare staff, and a local civil affairs administrator responsible for annual supervision and institutional rating assessment of social organizations.

All interview respondents consistently reflected that local regulatory authorities have imposed sharply higher mandatory standards on CCP party-building input and activity frequency following the nationwide rollout of the “Two Coverages” policy in 2012. Regulators now enforce fixed monthly Party meetings, regular centralized ideological training, themed Party-building campaigns, standardized written archival records, and dedicated annual fiscal budgets for all party-related work. Interviewees stated that the heavy administrative workload and fixed monetary expenditure on compliance work continuously crowd out human resources and funding originally reserved for direct grassroots poverty relief, medical aid and other core charitable programs, which aligns perfectly with the negative crowd-out effect of dual Party leadership identified in the TWFE benchmark regressions.

A representative institutional case shared during the fieldwork vividly demonstrates the severe operational penalties for insufficient party-building compliance. Institution S had previously obtained a 5A comprehensive evaluation—the high-

est official rating awarded by the Ministry of Civil Affairs. The 5A qualification brings substantial institutional privileges, including priority access to government procurement projects, simplified subsidy application procedures, and expanded public and private fundraising eligibility. However, in the latest re-evaluation cycle, the foundation failed to complete full standardized party-building archives, regular learning records, and required thematic activities as demanded by local Party working groups. This single compliance gap directly triggered a sharp rating downgrade from 5A to 3A.

Interviewees detailed the far-reaching negative impacts of this downgrade on daily foundation operations. After losing its 5A certification, Institution S was removed from the priority shortlist for municipal government welfare service bidding; multiple recurring government subsidy agreements were cut down in scale or suspended entirely. Meanwhile, civil affairs departments imposed stricter quarterly political reporting rules and extra unannounced on-site inspections, creating additional administrative labor burdens. Many corporate private donors also became hesitant to sustain long-term cooperation due to elevated regulatory risks associated with lower institutional ratings. Collectively, these penalties significantly weakened the foundation's capacity to deliver independent public welfare services, providing real-world qualitative support for this paper's core empirical conclusion.

This field interview evidence deepens the theoretical logic of *welfarist incorporation* proposed by Howell (2015). The conditional resource exchange relationship between state regulators and charitable foundations is not a loose voluntary cooperation mechanism; it is bound by rigid punitive supervision. Sufficient, high-frequency party-building investment acts as credible political capital to se-

cure stable fiscal support from government agencies, while inadequate compliance triggers tangible financial, reputational, and administrative losses that restrict non-profit service output. The triangulation of quantitative study results and qualitative interview narratives strengthens the internal validity of this study's dual financial trade-off argument.

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