Special Issue:
New Trends in Philanthropy and Civil Society in China
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Preface

The philanthropy sector in the People’s Republic of China (PRC) has come a long way since the 1980s and 1990s, when it was dominated by government-backed foundations or government-organized NGOs (GONGOs). After the Regulations for Foundation Management were issued in 2004, the philanthropy sector saw the rapid growth of private foundations that are now beginning to rival their government counterparts in both numbers and visibility. Over the past few years, some important developments have taken place, stimulated by fundraising controversies in the wake of the 2008 Sichuan and 2010 Yushu earthquakes, and initiatives led by a small group of private foundations to strengthen philanthropy and civil society in China. What are the controversies and debates over fundraising and philanthropy that have emerged in recent years? What has been the government’s response to these debates? What steps have foundations been taking to strengthen trust and accountability in philanthropy? How is the independent, or grassroots, nonprofit or NGO sector being affected by these developments? Will the newly emerging private foundations evolve into supporters of grassroots NGOs and civil society in general?

This special issue, which represents the inaugural publication of China Development Brief (English), covers these important developments, the debates they have engendered in the philanthropy and civil society sector, and profiles some of the major figures and organizations involved. In the future, CDB (English) will continue to translate and publish other articles and special issues online and occasionally in print.

A word is in order about the origin of the articles and the translation/editorial process. All of these articles are translations of Chinese-language articles by China Development Brief (CDB) staff writers, and were published in previous issues of CDB. They were selected by the editor of CDB (English) and translated and reviewed by CDB’s team of translators, edited and proofread. Each article starts with an introduction that summarizes key points, and contains explanatory notes throughout for the reader.

We would like to thank CDB, the Ford Foundation, and our CDB (English) translators and interns for their support. As a translation project of CDB, CDB (English) would not be possible without the support and hard work of CDB staff who invest long hours to report on the nonprofit sector in China. We also appreciate the financial support of the Ford Foundation who believed in us from the very start. Finally, our translations and other resources would not be possible without the work of our volunteer translators, and interns.

You can download a PDF version of this special issue by going to the CDB (English) website, www.chinadevelopmentbrief.cn. If you would like to order a hard copy, please email website@cdb.org.cn in English or Chinese.

While we are happy to provide a complimentary PDF copy of the special issue, we do need recover the cost of producing this issue, and encourage you to make a tax-deductible (for U.S. residents) donation to CDB. You can make a donation by going to Give2Asia at www.give2asia.org and typing in China Development Brief in the Search box.

Shawn Shieh, CDB English-language Editor
Essential Background on the Nonprofit, Philanthropic Sector

What is the Nonprofit Sector in the PRC?

CDB writers tend to assume their Chinese readers (who come mainly from the nonprofit, academic and government sectors) have some understanding of the Chinese nonprofit sector. *CDB* (*English*) makes no such assumption and in this section, we explain some essential background information needed to make sense of these articles.

Perhaps the greatest challenge is to define what exactly constitutes the nonprofit sector in the PRC, and what term or terms are used to describe it. Internationally, the nonprofit sector is also known as the voluntary sector, the charitable sector, the third sector and the civil society sector. It refers to organizations, groups, projects, networks that are voluntary, self-governing, not-for-profit, and private in nature and that are established with a mission, whether it be to serve their members or to serve the underprivileged.

In the PRC, it helps to make a distinction between the nonprofit sector in theory and the nonprofit sector in practice. The former is smaller and restricted to legal nonprofits. The latter is a more expansive, flexible category that includes legal nonprofits, informal nonprofits, and even quasi-governmental organizations.

The nonprofit sector in theory refers to legal social institutions (shehui zuzhi, 社会组织) registered with the Civil Affairs bureaucracy. There are three categories of these social institutions:

1. Social Organizations (SOs, shehui tuanti, 社会团体), which are similar to membership associations in the U.S.;
2. Civil Non-Enterprise Institutions (CNIs, minban feiqiye danwei, 民办非企业单位), which are similar to service providers such as schools for migrant children or the handicapped;

The 2004 “Regulations on Foundation Management” created a further distinction between “public fundraising foundations” (gongmu jijinhui, 公募基金会), which are allowed to raise funds publicly, and nonpublic fundraising foundations (feigongmu jijinhui, 非公募基金会), which are not allowed to raise funds publicly. Throughout this issue, we use the term “Public Foundation” to refer to the former, and “Private Foundation” to refer to the latter. These terms are not ideal and can be misleading. Public Foundations are so-called because almost all of them are GONGOs, yet there are now a few independent nonprofits that have succeeded in registering as public foundations (e.g. the Amity Foundation and the One Foundation). Most Private Foundations, in turn, are established by private individuals or entrepreneurs, yet some could be GONGOs.

In this universe of nonprofits, some are GONGOs and some are independent NGOs. To generalize, most Public Foundations and Social Organizations are GONGOs, while independent NGOs are more common in the Private Foundations and Civil Non-Enterprise Institutions categories (see Figure 1).

The nonprofit sector in practice refers to a much larger universe of organizations that includes not only the above legally-registered social institutions, but also informal nonprofits and quasi-governmental organizations (see Figure 1). Informal nonprofits refers to the many
independent nonprofits that are either registered as for-profit businesses, or unregistered. These nonprofits are businesses in name, but nonprofits in the operation of their organization. (Given that international definitions of nonprofits emphasize their not-for-profit, private, self-governing nature, the notion of GONGOs or for-profit nonprofits is a bit of an oxymoron. But again, this being China, most people tend not to make a fuss about these distinctions.) Finally, even quasi-governmental bodies, such as mass organizations (e.g. the Women’s Federation, Communist Youth League), and public institutions (which include the public universities and research institutes in China) have been known to refer to themselves as nonprofits or NGOs.

**Figure 1** The Nonprofit, Philanthropic Sector in China (the size of the circles is meant to suggest the relative size of each group)

Terminology poses another challenge for the layperson. The term “nonprofit”, NGO, and civil society organization, are not used much by the Chinese who prefer “popular organization” (minjian zuzhi, 民间组织), “social organization” (shehui zuzhi), and more recently, “public welfare organization” (gongyi zuzhi, 公益组织). Independent nonprofits, however, do like to distinguish themselves from GONGOs by referring to themselves as “popular” (minjian, 民间), “grassroots” (caogen, 草根), or “civil society” (gongmin shehui, 公民社会). Because CDB is itself an independent NGO, it uses these terms liberally throughout its articles.

**A Brief History of Nonprofits in the PRC**

The history of independent nonprofits in China is a relatively short one. Before 1988, the Ministry of Civil Affairs (MCA) had no regulations governing "social organizations" and the
The official nonprofit sector emerged in the late 1980s when MCA came out with the first-ever Regulations on Foundation Management in October 1988, and the first-ever Regulations on the Registration and Management of Social Organizations in October 1989. The large majority of foundations and Social Organizations that registered under these new regulations were GONGOs. The regulations required organizations to find a government sponsor if they wanted to register. GONGOs were able to register more easily because their government sponsor was the agency that established them. In contrast, it was difficult for independent organizations that lacked the necessary connections to find a government sponsor.

The 1995 World Women’s Conference in Beijing was another important event because many international women’s NGOs attended and it was at that conference that many Chinese first heard the term NGO. Afterwards, the term NGO began to be used more frequently, even though there were very few independent NGOs in the mid to late 1990s.

The Regulations for Social Organizations were revised and reissued in 1998, along with Provisional Regulations for the Registration and Management of Civil Non-Enterprise Institutions (CNIs). In the early 2000s, more independent nonprofits were able to register as CNIs, but many more were unable to register given the problem with finding a government sponsor. These nonprofits either registered as a business, or remained unregistered. In 2001, three years after the regulation for CNIs was issued, the number of CNIs rose to 82,000 nationwide, compared with 129,000 Social Organizations. By 2010, those numbers had risen to 198,000 and 246,000 respectively. There are no official statistics for independent nonprofits registered as businesses or unregistered, but they have grown quickly during the 2000s, and some scholars estimate they number around 200,000.

The Foundation regulations were revised and reissued in 2004, creating for the first time the category of private foundations. Since 2004, private foundations have grown rapidly and, by this year, there were almost as many private foundations as there were public ones. In 2004, there were 892 registered public foundations, and no private foundations. In 2005, there were 721 public foundations and 253 private ones. By the end of 2010, there were 1,101 public foundations and 1,088 private ones.

From these statistics, it is clear that private foundations have spread like wildfire. Their emergence is one of the major stories in the Chinese nonprofit world over the last few years. Perhaps more importantly, a small group of foundations have begun to promote a new kind of philanthropy that seeks to move away from support for government charity projects toward sectors that have traditionally been neglected, such as support for independent nonprofits. It, thus, made a great deal of sense to focus our inaugural special issue on this newly emerging philanthropic sector and its impact on China’s civil society.

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COMPARING CHINA AND THE U.S.: China’s nonprofit sector is still young. It may be growing quickly but is still small compared to the nonprofit sector in developed countries like the U.S. Here are some statistics that provide some perspective:

- The total annual budget for China’s environmental NGOs is about 30-50 million RMB (4.6-7.7 million USD), compared to 3 billion USD in the U.S. Chinese support for environmental NGOs is thus about 1/1000 the level of support for environment NGOs in the U.S., even though China's GDP is one-third of the U.S. GDP.
- The United States has about one foundation per 3,000 people, and Taiwan roughly one foundation per 4,600 people. China only has one foundation per 650,000 people.
- The total assets of 1,288 foundations in China in 2009 amounted to about 39 billion RMB, a mere 11% of the Bill and Melinda Gates Foundation’s assets.

Source: Articles in this special issue.
Key Findings: The Good, the Bad, and the Murky

Following is an attempt to summarize what the articles say about the main trends and issues. Those who want more details are encouraged to read the articles themselves. With apologies to Sergio Leone, we organize the major findings into positive trends (the good), negative trends (the bad), and trends that point in no particular direction (the murky).

**The Good**

- There are a group of foundation leaders committed to increasing transparency, accountability and professionalism in the philanthropy sector, and encouraging foundations to support nonprofits. At the forefront are leaders from Narada Foundation, Vantone Foundation, YouChange Foundation, Tencent Foundation, and Bright China Foundation, among others.

- There are a number of initiatives that have emerged in the last two years to promote the above goals: the China Private Foundation Forum which has held two sessions, one in July 2009 and another in October 2010; and the establishment of the China Foundation Center in July 2010.

- Another major initiative not covered in this special issue (although the One Foundation is profiled in one of the articles) is the One Foundation’s registration as a public foundation in January 2011. The One Foundation, founded by the martial arts star, Jet Li, has been a supporter of independent NGOs and made news as the first private foundation to get legal status as a public foundation. It recently received major gifts from four other foundations, and some of China’s wealthiest and most influential entrepreneurs have joined its board.

- The rapid rise of private foundations provides an alternative source of funding for NGOs. This is a positive trend in a climate in which international NGOs are reducing their funding commitments. Whether foundations actually fund these NGOs is another question.

- There is more interest from GONGOs, public foundations, and private foundations in supporting independent nonprofits, especially after the Sichuan earthquake. GONGOs and public foundations are funding more nonprofit projects, and supporting them through the use of special accounts as detailed in some of the articles. Some public foundations and GONGOs, such as the China Foundation for Poverty Alleviation, are carrying out reforms to become more independent.

**The Bad**

- Philanthropy in China is still dominated by GONGOs and public foundations with government ties. This sector is also plagued by bureaucratic norms of decision-making, and lack of transparency and accountability.

- There are a number of vested interests in the current philanthropy system – GONGOs and public foundations that enjoy many privileges – that will make the philanthropy sector difficult to reform.

- There are no major breakthroughs in the regulatory environment. Private foundations and NGOs still face major constraints in terms of fundraising, legal registration,
capacity building, legitimacy. Most of the regulatory reforms have been minor and have made it somewhat easier for certain categories of nonprofits to register. Certain provinces and cities (e.g. Shenzhen, Yunnan, Beijing, Shanghai, Qingdao) are also experimenting with reforms to better regulate and promote the nonprofit sector.

- The uncertain regulatory environment also pushes foundations to fund projects and organizations in less risky sectors such as education, poverty relief, and environmental protection, and to stay away from areas such as legal aid and advocacy. (The recent crackdown on legal rights and human rights activists has further reinforced this tendency.)

- There is still a gap in philosophy, practice and communication between NGOs and the foundation world. NGOs cultivated close ties with international NGOs and are used to international practices and standards, but Chinese foundations have different ideas and approaches, and are new to grant-making. Private foundations are still trying to figure out their mission, their role, and their direction.

- There are also differences among private foundations. Many foundations are strongly influenced by corporate values and culture and see philanthropy primarily as a way to promote public relations, and government relations. Only a small minority of foundations are committed to social values and addressing social problems as their core mission.

The Murky

- There are debates over the direction in which NGOs and philanthropy should move. Should NGOs cooperate with the government and GONGOs, or seek the grassroots path relying more on international funding? Should foundations engage in grant-making, operate their own projects, or both? Should they do more to support NGOs not just providing project support, but also core support to cover administrative and personnel expenses?

- Some foundations and NGOs are now thinking about internationalizing by contributing to international aid efforts, and addressing global issues such as climate change.

- It is still early in the process and still unclear whether foundations are willing to become more transparent, accountable, and supportive of NGOs.
Introduction: This article is part of our special issue on New Trends in Philanthropy and Civil Society in China (Summer, 2011). It examines how the rapid rise of private foundations in China has changed the environment for domestic grassroots NGOs, which traditionally relied heavily on international funding. Chinese foundations, and GONGOs like the Chinese Red Cross, are now beginning to support NGOs, especially in the aftermath of the 2008 Sichuan earthquake, and could serve as an important alternative source of funding. Indeed, their support could be critical to the growth of China’s nascent civil society for two reasons. One is that international funding to China is on the decline. Another is that international funding to Chinese NGOs tends to be viewed by the Chinese government as an effort by foreign governments and organizations to infiltrate Chinese civil society. Funding from Chinese foundations lacks this stigma, and could in theory make NGOs more acceptable to the government.

Of the two kinds of Chinese foundations, particular attention is being paid to private (literally “nonpublic fundraising”) foundations, instead of their public (literally “public fundraising”) counterparts. The distinction between these two kinds of foundations was created by the 2004 Regulations on Foundation Management. By this time, public foundations had been around for a while. Many were founded in the 1980s and 1990s with government backing and are therefore referred to as GONGOs. In contrast, private foundations were made possible by the 2004 Regulations, and they grew quickly in the following years. The main distinction between the two is that public foundations are allowed to raise funds publicly, while private foundations are not. Many public foundations have some form of government backing, and generally get their funds from a variety of sources. By contrast, private foundations tend to be more independent of the government and their funds generally come from a wealthy donor or corporation. Because of their relative independence, they are viewed as having more potential to make a contribution to China’s civil society by supporting grassroots NGOs.

This article though is agnostic about the potential marriage of private foundations and NGOs. It suggests we cannot assume private foundations will be natural allies of NGOs for several reasons. One is that private foundations are relatively new and are not always clear about their mission or goals. Some private foundations are more interested in carrying out their own projects than funding NGOs. Private foundations are also new to grant-making and not always professional in dealing with NGOs. With the exception of a very few foundations like Narada, most private foundations also lack confidence in grassroots NGOs to carry out projects. Finally, private foundations are driven by corporate interests, and tend to fund organizations and projects that are not politically sensitive.

Cooperation

“In 2008, the Narada Foundation (南都公益基金会) spent 1 million yuan on disaster relief. They stipulated that each project should not exceed 50,000 yuan, enabling many NGOs to get involved in the emergency relief efforts. In the past, the budgets of our major projects have
all been in the millions, so to organizations like our own, 50,000 yuan is very little. But I still feel really great, because this is the first time we have been funded by Chinese foundations.”

Gao Xiaoxian, leader of Shaanxi Women’s Theoretical Marriage and Family Research Group (陕西妇女理论婚家庭研究会) (hereafter Shaanxi Women’s Group for short), showed excitement when speaking about the role of private foundations during the earthquake.

After the 2008 earthquake in Sichuan, Gao Xiaoxian immediately contacted Xu Yongguang, Secretary General of the Narada Foundation (Narada for short), about funding for emergency relief. Xu Yongguang over the phone told her “first just take action”. So a group of ten Shaanxi relief teams set out before the funds had even arrived.

On June 19, 2008, upon arriving at Sichuan’s Zundao township in Mianzhu county, Gao Xiaoxian, Xu Yongguang and other colleagues, realized that the 50,000 yuan was not going to be enough to provide the villagers’ temporary housing. Gao could not imagine that Xu Yongguang would declare: “we can do this”. In no time, the Women’s Research Group had completed a project application to provide 50 temporary houses for the villagers. Gao Xiaoxian recalled: “I submitted the project proposal on June 22nd, and the next day, it was accepted.”

Moved by the fast response, Gao Xiaoxian, sent a text message to Xu Yongguang: ‘In the ten years I’ve been doing projects, the speed with which Narada has responded to the problem is a first.’ Xu Yongguang responded to the text, ‘it’s all about trust.’ Gao Xiaoxian believes the quick response is based on shared cultural background. It also meant one less application to an international organization in an emergency situation.

Similarly, YouChange Social Entrepreneur Foundation (友成企业家扶贫基金会) (hereafter YouChange) gave over 40,000 yuan in funding to the Zundao Volunteers’ Office (给予遵道志愿者办公室), cutting out the formal application process for projects. The applicant was the NGO, Guizhou Highlands Development Research Center (贵州高地发展研究所). The Center’s Luo Shihong said YouChange’s quick response was also based on trust that was the result of a previous working relationship. During the snowstorm disaster of 2008 in the south of China, YouChange had given emergency funds to ten NGOs to undertake their ‘united against the blizzard’ project. The Center had been one of those NGOs.

Gao Xiaoxian believes the emergence of private foundations gives domestic NGOs another very important funding source. Her Shaanxi Women’s Group was established in 1986, and is a well-known NGO within China. Like the majority of organizations established in the 1980s and 1990s, Gao’s NGO was made possible with international funding. Supported by an international funding network, it no longer has to worry about surviving. However, as China develops rapidly, international organizations have cut their funding for many sectors in China. As a result, Chinese NGOs that once relied on international funding are beginning to look more to domestic funding, particularly from the new established private foundations.

Gao believes the NGO sector in China can be divided into three worlds. The first world are government-organized NGOs (GONGOts), most of which are authorized to engage in public donations. The second world refers to NGOs like her Shaanxi Women’s Group that were established with international funding. [Editor’s Note: Many grassroots NGOs that emerged in the late 1990s were made possible by international funding.]

The third world refers to active grassroots NGOs that emerged after 2004-2005 in response to social problems, providing community services, often in innovative ways. These organizations tend to rely on diverse sources of funding. Some have developed in the
direction of social enterprises, or developed using local resources, yet they all have trouble with funding.

The emergence of private foundations, in this regard, offers another lifeline for NGOs. In recent years, NGOs have begun to turn to private foundations for funding, and some are opening offices in Beijing where many private foundations are based.

The first foundations to appear in China emerged in the 1980s. These were public foundations established with government support, often with the motive of raising money to reduce the government’s financial burden. This was quite different from overseas private foundations whose purpose is to disburse funds. Private (literally nonpublic fundraising) foundations in China only came about after 2004 when the State Council issued ‘Regulations on Foundation Management’ 《基金会管理条例》. These regulations for the first time drew a distinction between public and private foundations. The emergence of private foundations provided domestic NGOs with a genuine source of funding. [Editor’s Note: The implication here is that most public foundations and GONGOs were seen as a way to raise funds for the government, rather than as a funding channel for grassroots NGOs. As other articles in this special issue show, this situation is slowly changing and some public foundations and GONGOs are now beginning to support NGOs.]

In accordance with the “Regulations on Foundation Management”, each year a private foundation must use 8 percent of its capital on public welfare work. Narada, Vantone Foundation (万通公益基金) and HaiCang Charitable Foundation (海仓慈善基金会) are all grant-making foundations, which means that each year the majority of the foundation’s grants will go to NGO partners. By the end of 2008, there was a total of 1,531 foundations nationwide [up from 1,340 in 2007] with private foundations accounting for most of this increase. Among the new foundations were two national-level foundations and over 40 local foundations in Beijing, Shanghai and Guangdong alone.

At present there is no way of knowing just how many private foundations can be described as grant-making foundation or how many have already begun operating. Duan Defeng, Secretary-General of the Haicang Charitable Foundation, says: “This is because many foundations are in a state of dormancy.” [Editor’s Note: These paragraphs make a distinction between grant-making foundations and operating foundations. The latter use their funds to carry out their own projects. The former only disburse funds to other organizations such as nonprofits or NGOs that then carry out projects consistent with the foundation’s goals. The large majority of private foundations in the U.S. fall in the grant-making category. In China, many of the new private foundations are still in a state of flux, trying to figure out what kind of foundation they want to be. We also learn here that not all foundations in China are actually functioning.]

Duan Defeng worked for many years at Oxfam Hong Kong (香港乐施会). Coming from an international foundation to take on a post at a newly-established private foundation, he believes that “NGOs cannot rely solely on international foundations. In the future, international foundations will move on to other countries. Even now you see international foundations will not use the majority of their funding on a country like China that is developing so fast.” He also believes private foundation funding of NGOs will lower the political sensitivity for NGOs; in terms of culture and language, private foundations can also communicate [with NGOs] more easily. Given that international foundations are based overseas, their management does not really understand China, or they believe that they do understand when they actually do not. He forecasts that in the future more domestic foundations will emerge that will focus on local communities and be more in touch with their needs, as was shown in their response to the 2008 Sichuan earthquake.
Getting Acquainted

Many NGOs began to interact closely with private foundations during the 2008 earthquake relief work. However, domestic NGOs do not go to great pains to define what a private foundation is; instead they tend to distinguish between domestic and international foundations. For many years domestic NGOs depended upon the support of international foundations, however, during the emergency response to the earthquake, private foundations like Narada and YouChange, and the One Foundation (壹基金) became an important source of funding for domestic NGOs. This was also the first time the Chinese Red Cross disbursed money to NGO projects through a bidding system. [Editor’s Note: The Sichuan earthquake was thus a watershed event in two ways. It got both private foundations, and GONGOs like the Chinese Red Cross, to recognize and support NGO projects.]

In their interactions with domestic foundations, some NGOs like Gao Xiaoxian’s are touched, but others voice complaints. As private foundations emerged, they came in contact with NGOs that already had worked with international foundations for almost twenty years. As a result, Chinese NGOs have been deeply influenced by international foundations both in terms of values and methods of project management. When discussing private foundations, [NGOS] thus use international foundations as a natural frame of reference.

Initial problems: low on professionalism and high on arbitrariness

Speaking of the differences between international and domestic foundations, the first response of one active figure in this area was: ‘the differences are huge.’ She then requested that she remain anonymous, so she could she be frank. “The process of appraising documents, the communication between project managers and partners, the use of funds, following up on projects. [International and Chinese private foundations] differ greatly in all these areas.” First, she noted, the project implementation process is very different. International foundations will put up the money for a project, and during the project implementation stage, will ask about both progress made, and problems encountered. However, domestic foundations are absent at this stage. Secondly, the application process is also different. She gave an example, saying that once, when discussing a project application with a leader at Oxfam, although this leader was not necessarily going to accept it, he still went to the relevant team in charge to discuss the application with her for 20 minutes. She says now looking back, although the application in the end was unsuccessful, the impression it left on her was very deep.

Conversely, when she began dealing with a private foundation to make a project application, the person in charge said to her ‘fine, just get on with it first, we can go through the necessary procedures later.’ This made her feel that the nature of the application process was far too informal.

Other interviewees shared this same feeling. In 2008 before the Sichuan earthquake, an environmental organization approached a certain foundation to apply for a ‘new agricultural construction’ (新农村建设) project in an ethnic minority area. After the earthquake [in May], this foundation’s attention turned to the disaster area. By July or August of 2008, this foundation told the organization to apply. After the application was received, the foundation responded saying they could fund the project, but the necessary information from the foundation never arrived. Three or four months passed and the foundation said the application materials needed to be revised. The organization made alterations then resubmitted the
application, but again never received the relevant documents. The person who worked on the application said a year had passed since their initial discussion [with the foundation], and he still had no idea about the status of the funding.

An NGO in the northwest [of China] also came across this problem. The person in charge at this organization said that they had been doing projects for almost ten years, but had not yet received any domestic funding. Recently they communicated with a domestic foundation and submitted an application. After having decided upon the direction of the project, the NGO designated a member of staff who spent ten days writing and submitting the project application, but the foundation responded that the project did not fall within the scope of their funding.

A grassroots organization in Beijing went through a similar experience after the earthquake, when contacting the Red Cross, Narada and YouChange. At first the foundations would look at the project design and say it was good, but in the end they found more and more problems. Sometimes, they went through several discussions, and when it seemed the project was just about to be confirmed, the foundation would suddenly give a reason why the project could not be approved. The Beijing NGO came away from this experience feeling that domestic foundations acted arbitrarily.

The same NGO had previously cooperated several times with an overseas foundation. The project leader said that at the outset of each project application, the foundation would clearly tell the other party whether there were any problems with the project design, and how it should be revised. Even though the project documentation still had to be repeatedly revised, the NGO’s leader knew they were heading in the right direction.

The issue of receipts is another problem that all organizations doing projects in the countryside come across. It is difficult to get proper receipts for expenses incurred in rural China. In light of this reality, international foundations will be quite flexible. However, the system for financial accounting used by domestic foundations makes it very difficult for organizations doing rural community work. A new NGO working in the northwest [of China] said “we put 60 percent of our energies into the project and 40 percent trying to get receipts.”

Another issue raised by interviewees is that budding private foundations inevitably lack experience. Some private foundations are clear about their objectives, and have some understanding of established NGOs and work well with them. Other foundations however, have changing priorities. Although some of their staff have experience working in international foundations, turnover is common; some employees fail to understand the regulations, cannot distinguish lines of authority, and thereby leave the NGO partner in a difficult position.

Disagreements are unavoidable as the two sides learn to work together. Some NGO partners even go over the heads of foundation staff to the leadership itself to discuss matters. However, more than one person interviewed said that though some foundations “do not understand the project, and talk as if they do not understand the sector”, their open attitude and willingness to learn is appreciated by their NGO partners.

*The influence of corporate thinking in NGO cooperation*

The problems mentioned above are understandable for any organization entering a new sector, and private foundations funded by corporations have shown that they have yet to develop a
clear idea of their role.

Still, as one NGO leader pointed out, the corporate mentality of private foundations is beginning to penetrate the NGO world.

The leader gave an example of how, in 2008, the NGO applied to a private foundation for project funding. The foundation approved the funding that summer, but the money did not reach the NGO’s bank account until April 2009. During that time, the foundation told the NGO to “make an advance payment”. [Editor’s Note: Making an “advance payment” means the foundation is asking the NGO to use its own funds to cover the project’s expenses until the foundation’s funds arrive in the NGO’s account.] The manager of the NGO said that foundations have brought concepts like “advance payment”, “risk control”, and “return on investment” into public welfare work. Li Jin, the secretary of Vantone, spoke at the Sohu Forum on the anniversary of the Wenchuan earthquake (“5·12”周年搜狐论坛) about entrepreneurs establishing foundations, and their relationship with NGOs. One issue is whether foundations view NGOs as service providers, as suppliers, or as cooperative partners. From the perspective of the enterprise, the notion of doing things is that there is a profit based on a contractual relationship between party A and party B.

Not surprisingly, as the Secretary-General of the Vantone Foundation, Li Jin noted that Vantone nurtures grassroots organizations, treating them as cooperative partners in a process of mutual strengthening. Only with this kind of entrepreneurial public welfare work can more be achieved with greater stability. [Editor’s Note: Li Jin here seems to be asking enterprises that establish private foundations not to view NGOs as mere service providers or suppliers, but as cooperative partners and to commit to investing resources to strengthen NGO capacity for the long run.]

Selecting partners for cooperation

The healthy development of NGOs requires resources

In the last ten years, the international community has had a great impact on NGO funding and the growth of Chinese NGOs. In the coming years, domestic foundations will likely have an important impact upon the NGO sector.

International foundations brought in many projects, international development concepts and project management experience. They cultivated a number of organizations and talent, and promoted the standardization of Chinese social organizations. However, there seems to be a consensus within the industry that Chinese NGOs, while large in number, are mostly underdeveloped. In describing Chinese NGOs, Xu Yongguang [the Secretary General of Narada] uses the analogy of a person with a developed mind but weak limbs.

Li Jin, who was once responsible for the China branch of Plan International, and after that the UN Development Program’s civil society projects, has worked in this area for almost ten years. When speaking of NGOs’ current situation, a quiet Li Jing repeated twice ‘It’s a long story.’

In his eyes, grassroots organizations may be numerous but have not gone beyond the grassroots stage. Many organizations are highly dependent on their founder. Only a few organizations, notably Friends of Nature (自然之友), have been able to continue on after the founder leaves. One reason they do not develop more fully, Li Jin believes, is that they still lack sources of funding. [Editor’s Note: The well-known environment NGO, Friends
of Nature, was able to make the transition to a new leadership when its founder, Liang Congjie, became ill during the 2000s and had to withdraw from his position as director of the organization.]

Li Jin likens a NGO to a team of ants. All the worker ants must serve the queen ant because she is the only one with the ability to reproduce. All the resources are given to her. Likewise, civil society organizations’ resources are limited, and tend to be concentrated on the organization’s leaders, thereby making it difficult for the organization to develop in a sustainable manner.

Thus the public welfare sector’s healthy development requires large amounts of funding. The entrance of private foundations, particularly grant-making foundations, will increase the amount of funding available to NGOs.

What kind of NGO work gets funding?

Which NGOs are able to get funding from private foundations? Some NGOs worry that domestic foundations require government support for their projects as a precondition for foundation funding. In this view, projects in the [more sensitive] fields of rights protection, religion and migrant labor cannot gain support. Two foundation directors, Li Jin and Duan Defeng, have looked at this question from different perspectives.

Li Jin, Secretary-General of the Vantone Foundation which was established in 2008, has only been in his position for a few months. He noted that, since he had not participated in the initial research and discussions, he was not the most appropriate person to ask about how Vantone had decided upon ecological community as their area for funding. I then asked him: “If we move away from Vantone as a specific case, generally speaking, what factors do private foundations consider when making funding decisions?” His response: “Risk is one factor. Companies, especially those on the stock market, do not want to be affected by the risk assumed by a foundation. They will choose safe sectors, for example education and environmental protection, but of course no sector is completely without risk.”

The second factor that Li Jin mentioned was that the funding tends to be connected in some way to the area of work carried out by the foundation’s corporate funder, “but recently I’ve noticed that this connection is not always present.”

Research on the link between the Chinese company’s product sector and the sectors it funds also found that the relationship between the two is not strong. From 2001 to 2003, a research group from the Sociology Department of the Chinese Academy of Social Sciences did a comparative study on charitable giving by Chinese and foreign enterprises. The results found differences in the approaches of Chinese and foreign invested enterprises to charitable giving. Foreign-invested enterprises donations were motivated by mutual interests: 88 percent of the value of their donations played a commercial role promoting public relations, customer relations or the opening of markets; Chinese enterprises donations were based more on an interest in helping others: 79 percent of the value of their donations were directed towards disaster and poverty relief, helping the development of border regions, sponsoring students and other traditional philanthropic sectors. [Editor’s Note: the difference between “mutual interests” and “interest in helping others” is not clearly defined in this study. Of course, an “interest in helping others” may also overlap with more self-interested motives.]

There are various explanations as to why foreign and domestic invested enterprises donate to different sectors. What warrants our attention is that once a private foundation is established,
no matter what sector an enterprise belongs to, disaster relief, poverty relief, education and so on, remain the choice of most corporate foundations.

Duan Defeng, Secretary-General of Haicang Charitable Foundation, places particular emphasis on providing financial support for the elderly in urban and rural areas, people with disabilities, and education. For him, deciding on which areas to fund is usually directly related to the interests of the donors themselves. On the concern that some sectors are seen as sensitive, he believes that this concern largely arises from the perception of some people in the NGO sector and is not grounded in reality. He emphasizes that NGOs should proactively communicate with government, just as sales representatives use their skills of persuasion to sell products. NGOs should be persistent even if their work is not embraced by the government and are repeatedly rejected.

Misgivings about the limited scope of private foundation also stems from the general view that international organizations are willing to fund a wider scope of activity. However, research by Professor Li Xiaoyun, the dean of the School of Humanities and Development at China’s Agricultural University, show that official international aid to China does not differ much from Chinese foundations, and may even be more cautious, in terms of funding NGOs. We do not have relevant research results on the distribution of funding to NGOs by international NGOs and foundations, but experience suggests the areas they support are somewhat broader. [Editor’s Note: Official international aid refers to aid coming from foreign governments or intergovernmental bodies such as the UN, and does not include funding from international NGOs and foundations. Perhaps a better comparison of funding priorities would be between Chinese foundations and international NGOs and foundations.]

In his research, Professor Li found that the Chinese organizations that received official international development aid belonged to one of three categories: GONGOs, and domestic NGOs that started out as GONGOs (7); international NGOs (INGOs) and domestic NGOs that evolved from INGOs (5); and domestic NGOs of a specialized technical nature. The above results suggest that official development aid agencies are still relatively cautious in funding Chinese organizations. Not all Chinese social organizations are able to receive the financial support of official development aid. In order to avoid political risk and maximize impact, official development aid agencies are more likely to fund social organizations that are already registered with the Ministry of Civil Affairs, and are well-established. [Editor’s Note: The subtext here is that grassroots NGOs, particularly those that engage in sensitive areas such as advocacy or “rights-protection”, are unlikely to receive official international aid.]

Is a new monopoly emerging?

The leader of a grassroots organization concerned with rural education in the west of China expressed that they wanted to do something useful, but not get involved in politics, so they always maintained a cautious attitude towards international foundations. However, the leader noted that it was also not easy getting funding from Chinese foundations, commenting that some private foundations have ulterior motives and utilize government channels as a way to collect more funds. If these foundations are not open to grassroots organizations, then there is the danger that a new monopoly on funding will emerge. [Editor’s Note: The old monopoly on funding is the government’s monopoly. The new monopoly would consist of an alliance of government and private foundations. Both monopolies would have the same effect of denying funds to grassroots NGOs.]
Currently, there are no clear signs indicating the emergence of a new monopoly, but there is a trend toward Chinese private foundations funding mostly ‘grass tip NGOs’, rather than grassroots NGOs. If we use the Wenchuan earthquake reconstruction effort as an example, as of July 18, 2008, half of the 37 projects receiving funding by the Chinese Red Cross and Narada were submitted by NGOs, with some of these organizations being funded twice. [On why more NGOs were not funded], the foundations explanation was, ‘there’s money, but a lack of good projects’. [Editor’s Note: “Grass tip” (caojian) NGOs are grassroots NGOs that are well-established and reputable.]

The value systems of international foundations emphasize the development of civil society. However, it is easy for Chinese private foundations to focus on the more mature and established organizations. Li Jin says this focus is inevitable during the initial stage of development for private foundations. The NGO partners of Vantone include established organizations such as Friends of Nature, Beijing Global Village (北京地球村), Huizeren (惠泽人), Aisi Innovative Community Participation & Action (爱思创新社区参与行动), etc. These are all NGOs with relatively long histories and experience in project implementation.

**Conclusion**

The future of private foundations is still unclear. They are still in their early stages, and have received both praise and criticism from NGOs. In three to five years, some private foundations may disappear, while others will survive. At that point, we can look back and ask why some foundations prevailed. Will it be those who paid attention to short-term results, those concerned with long-term strategies and values, or perhaps those that focused on capacity building? Moreover, the environment for NGOs will change as private foundations enter the playing field, with interesting implications for the development of civil society.
Changes in the Development of Private Foundations

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Wang Hui, *CDB* Staff Writer

Translated by Marisa Lum
Reviewed by John Lenhart

**Introduction:** This article is part of our special issue on *New Trends in Philanthropy and Civil Society in China* (Summer, 2011). It covers the inaugural session of the Private Foundation Development Forum held on July 3, 2009. The Forum was held to showcase the rapid rise of private foundations in China, and promote discussion of challenges facing private foundations in their early stages of development. These challenges include not having a clear sense of mission, funding areas which already receive significant government support, the lack of independent governance structures, and an unwillingness to disclose information. The Forum was organized by several private foundations that have taken the lead in encouraging other foundations to tackle these challenges and promoting industry-wide norms for transparency and self-regulation.

Over the past two years, private foundations have gained a rising profile among NGOs, gradually becoming more active. In addition to operating programs, private foundations have also provided funding to support grassroots NGOs, with their efforts in aiding the May 12, 2008 Sichuan earthquake relief earning special recognition.

Private foundations are on the rise. In comparison with social organizations and civil non-enterprise units, private foundations got a later start but have been growing quickly. Beginning in 2004 with the passing of the national “Regulations for Foundation Management,” the number of private (literally, “non-public fundraising”) foundations increased rapidly, out-pacing public (literally, “public fundraising”) foundations. According to the “2008 Civil Affairs Development Statistics” released by the Ministry of Civil Affairs, by the end of 2008, China had a total of 1,597 foundations, 643 of which were private foundations, accounting for 40.2 percent of all foundations. [Editor’s Note: There are three kinds of organizations registered with Civil Affairs as “social organizations” (shehui zuzhi), the Chinese term for nonprofits: Social Organizations (shehui tuanti); Civil Non-enterprise Units (minban feiqiye danwei), and Foundations (jijinhui). According to the 2004 Regulations for Foundation Management, foundations are further divided into public fundraising foundations (gongmu jijinhui) and nonpublic fundraising foundations (feigongmu jijinhui). Throughout this issue, we refer to them as public foundations and private foundations respectively.]

With the expansion of private foundations, a few people have led the effort to create a better development environment for private foundations, while also promoting greater institutionalization in the foundation sector. In addition to the extraordinary earthquake relief effort, the Private Foundation Development Forum (中国非公募基金会发展论坛) is the first major initiative aimed at creating greater awareness about private foundations.

This forum was jointly organized by seven domestic private foundations and the recently-established China Association for the Promotion of Social Organizations (中国社会组织促
Narada Foundation (南都基金会), YouChange Foundation (友成企业家基金会), Vantone Foundation (万通基金会), among others, stand out among China’s private foundations because of their “alternative” nature. Unlike the majority of foundations, they have not limited themselves to traditional charity projects. Instead, their focus has been on strengthening grassroots organizations access to funds to enable these organizations to provide public services and goods in line with their broader missions.

The forum’s theme was “the Maturation of China’s Private Foundations.” The aim of the conference was threefold: first, to showcase the successes in the development of private foundations in recent years. Second, information and experience sharing, as well as opening up a dialogue with other sectors. Finally, working together to promote an institutionalized, and sustainable development plan for the popular (minjian) philanthropy sector.

The forum opened on July 2, 2009 after more than half a year of preparation, with around 500 organizations and individuals from academia, government and the NGO sector attending to show their support.

That day, the “China’s Private Foundation Development Report” (hereafter, “Development Report”, 中国非公募基金会发展报告) also made its debut. This report is the first of its kind among Chinese NGOs, and is the product of private foundations’ research about their own industry. The Development Report is one sign that private foundations are serious about moving toward greater institutionalization.

The report noted that the majority of private foundations lack a clear sense of direction about their mission, and do not seem to be aware of areas where non-governmental philanthropy could make the biggest impact. Currently registered private foundations’ have relatively one-dimensional objectives, the majority of which focus on education and disadvantaged social groups. These programs, however, are the very areas that the government focuses on.

In addition, many private foundations still experience difficulty in setting up independent governance structures. The fundamental problem rests with the relationship between the founder of the private foundation, the board of directors, and the organization. Problems in foundation governance, particularly establishing a board of directors and creating rules of procedure, are relatively prominent. Private foundations also do not show much awareness of the need for specialization. In addition, private foundations do not yet recognize the need for specialization within the organization.

In fact, the group of experts that wrote this report encountered difficulties in the process that reflected yet another problem in the development of private foundations: an unwillingness to disclose information about the organization. The editor-in-chief of the “Development Report”, Jin Jinping, is also the director of Peking University Law School’s Nonprofit Law Research Center (北京大学法学院非营利组织法研究中心). At the forum, Jin expressed disappointment at the difficulties he faced in writing the report. He had hoped to be able to collect enough information for the report, but found that it was difficult to find information on what ought to be fully transparent private foundations.

As the “Development Report” notes, “the lack of information disclosure on the part of private foundations” was fully evident when “after sending out hundreds of questionnaires, not even 20 were returned.” [This small sample] explains why the “report was unable to provide effective data.” The inability to collect key data in an intra-industry report shows that philanthropy has a long way to go in China.
The Forum is About Communication

The Forum organized two additional sessions on “Public Welfare Partnerships and Public Welfare Project Funding”, and a “Dialogue Between the Leaders of Public Welfare Organizations and Entrepreneurs”. Both were designed to promote communication, and improve business participation in the public welfare sector. Generally speaking, however, neither the representatives of public welfare organizations, nor the entrepreneurs, showed a true understanding of the terms “exchange” and “dialogue.” They spent most of their time expressing their own views and rarely listened to the opinions of others. Even those who were ostensibly in charge of facilitating discussion between the two sides often deviated from their role as “mediator,” using the podium to express their own point of view.

From this perspective, the Forum was not used to address the key themes. There was no discussion of a “path for aggregating funds” or a “path for distributing funds” for private foundations. Instead it was mainly used to showcase the projects of participating organizations. Entrepreneurs were clearly no exception. When it was their time to present, they also engaged in self-promotion while ignoring the difficult issues.

Premature Moves to Self-Regulation

The Forum also focused on “the path to self-regulation,” to promote the growth of China’s private foundations. The issue of NGO self-regulation has been around for a while. Several NGOs and foundations have called for creating guidelines or norms for the self-regulation of NGOs. In April 2008, the NPO Information Center (NPO信息咨询中心) and the China Youth Development Foundation (中国青少年发展基金会) published “China’s Public Welfare NPO Guidelines for Self-Regulation” (hereafter “NPO Guidelines”) in April 2008. Although organizations within the industry recognize the need for self-regulation and even call for the standardization of regulations, these specific guidelines have been controversial and ultimately have not been effective in creating an industry-wide norm.

Self-management has always been a common topic of discussion, but now private foundations are raising the issue independently.

The acting chair of the Forum organizing committee, Xu Yongguang, was confident about the potential for private foundations to formulate rules of self-regulation. Xu has stated that previous NPO Guidelines were too broad, and included multiple constituencies such as community groups, public and private foundations, private non-enterprise units, and social organizations. This time, Xu wants to put forth regulations only for private foundations. During the Forum, leaders of different organizations gathered for a round table discussion on the issue of self-regulation.

Participants used the above-mentioned NPO Guidelines to formulate a “Declaration of Eleven Articles for Self-Regulation” for private foundations. It is still unclear how these new guidelines will affect private foundations, and whether it will become more accepted within the industry than the NPO Guidelines.

In addition, a planned Private Foundation Alliance for Self-Regulation was put on hold. One participant explained that forming an alliance might require more time considering the development of private foundations is still at an early stage. Even so, the “Declaration for Self-regulation” is a strong first step toward institutionalizing self-regulation. Xu Yongguang hoped that by 2012 it would be possible to formally enact self-regulation standards within the private foundation industry.
The development of private foundations has been very uneven, but private foundations still need sufficient time and patience to mature. Eventually they will be able to develop in a more standardized and regulated fashion.

According to the most recently released information, the Forum’s secretariat has already begun planning for the second session of the Forum. There is also a plan to send a delegation to the United States to learn about experiences in foundation development from their peers overseas. [Editor’s Note: The second session of the Forum was held on October 28-29, 2010. For articles about the second session in this special issue, see “Different Opinions at the Second Private Foundation Forum,” and “Develop Philanthropy Through Cooperation and Debate.”]
Changes in the China Charity Federation System

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Wang Hui, CDB Staff Writer

Translated by Katie Xiao
Reviewed by Chris Young

Introduction: This article is part of our special issue on New Trends in Philanthropy and Civil Society in China (Summer, 2011). It highlights the government’s heavy hand in the philanthropy sector through a case study of the China Charity Federation (CCF), one of the major players in Chinese philanthropy. Like other major national-level “social organizations” in China, the CCF was established from the top down through the support and intervention of organs of the party-state. At the local level, the CCF is essentially part and parcel of the Civil Affairs bureaucracy. To make matters worse, the CCF enjoys greater fundraising privileges than public foundations, and yet the CCF is, legally speaking, not even a public foundation. Legally, the CCF is registered as a social organization (shehui tuanti), a type of nonprofit that is not allowed to engage in public fundraising. The result is a highly inequitable distribution of resources favoring GONGOs like the CCF, then public foundations, and last but not least, private foundations and NGOs.

The controversy over the privileges held by GONGOs, like the CCF, came to light after the 2008 Sichuan earthquake when scholars, like Tsinghua University professor Deng Guosheng, pointed out that the lion’s share of public donations for the earthquake relief went to the government and a handful of GONGOs. In 2008, total public donations broke the 100 billion RMB mark, an astonishing 300 percent increase from the previous year, as a result of 65 billion RMB in donations for the earthquake relief alone. To put that number into perspective, 65 billion was more than twice as much as all public donations for 2007. Of that 65 billion, about 56 percent went to party and government offices, mainly Civil Affairs, 21 percent went to the Chinese Red Cross, and 15 percent went to the CCF. In other words, nearly 90 percent of the public donations for the earthquake relief went to the government and two GONGOs. The remainder went to public foundations. NGOs were not allowed to publicly solicit donations for the earthquake relief[^3].

This article discusses the need for reforms in the CCF, but recognizes that any reforms would also require the support of government agencies like Civil Affairs. As the article makes clear, there are sharp differences in opinion between scholars who believe that reforms are necessary to further separate government from the philanthropy sector, and government officials who believe the government needs to strengthen its management of philanthropy.

Deng Guosheng, associate professor at Tsinghua University’s NGO Research Center, was sharply critical of the philanthropy sector in remarks he made at an October 2009 salon hosted by the NGO Interactive Forum. [Editor’s Note: The NGO Interactive Forum, www.ingo.org.cn, was established by a major GONGO, the China Foundation for Poverty Alleviation (CFPA), to promote and support the NGO sector. On the CFPA, see the article in this special issue, “The China Foundation for Poverty Alleviation Internationalizes.”] At the salon, Professor Deng argued that “the China Charity Federation (中华慈善总会, hereafter CCF) undermines the growth of the philanthropy sector in China.” He believes “the CCF’s autonomy and independence [from the government] is limited, particularly at the

local levels. Many provincial-level CCFs are nothing more than a division of the Civil Affairs department. If this trend continues, the future does not look bright for Chinese philanthropy.” [Editor’s Note: The CCF is a GONGO and one of the biggest and most influential philanthropic organizations in China. It and the Chinese Red Cross are the only “social organizations” authorized to raise public funds in the event of a disaster. While GONGOs vary widely in terms of their ties with the government, Professor Deng’s remarks reveal that the CCF enjoys very close ties the government, so much so that local-level CCFs are even considered divisions of the local Civil Affairs departments.]

Professor Deng’s remarks, later published in the Report on Chinese Society, ignited intense debate among scholars, government officials, and those engaged in philanthropy work in China. The CCF has sought to keep a low profile and has yet to issue a formal public response. Although the CCF disclosed plans earlier this year to meet with the media, a press conference still had not happened by Chinese New Year, and several requests from this writer for an interview were ignored.

In raising the question, “Who has hindered the development of China’s charities?” the Report on Chinese Society provoked greater reflection on philanthropy in China. The CCF was originally established in 1994. Since 1994, 270 organizations have joined the CCF to form a network of charitable organizations that spans the entire country. Although the CCF has promoted philanthropy in China for the last 15 years, it has also come under fire for the privileges and exclusive resources it has gained from its close ties with the government. The recent controversy surrounding the CCF reflects growing expectations for philanthropy [in China] and the fallout that results when those expectations are not met.

**Historical Origins of Philanthropy in China**

The CCF was established in a top-down fashion in the early 1990s, and set up a charity system that enjoyed some operational autonomy. Yet, this network of CCFs had also built up a relationship with the government, and so they were designated as “government-organized” rather than “popular” or “grassroots” organizations. The government’s influence was pronounced among local CCFs, even though the CCF was established under the condition of “not getting a penny from the government budget, not having an administrative staff, and not employing government officials”. [Editor’s Note: Throughout this issue, we use the term GONGO to refer to “government-organized” NGOs, and NGOs or grassroots NGOs to refer to NGOs set up voluntarily and independently of the government. There is no clear-cut division between GONGOs and NGOs; rather, think of it more like a continuum in which some organizations are closer to the GONGO end of the spectrum, while others are closer to the NGO end.]

In ancient times, philanthropy was traditionally associated with civil society. But China made a break with that tradition after 1949, when charity came to be associated with religion and superstition and was declared to be in conflict with socialist ideology and even labeled hypocritical. When this new perception took hold in China, charitable activities previously run by “the people” fell under government control.

It was not until the reform and opening period of the early 1980s that public opinion gradually began to shift and became more accepting of the modern notion of philanthropy and charitable giving. The government also began to realize the importance of philanthropy and to actively promote charitable work. It introduced relevant policies, laws and regulations governing the philanthropic sector, and established some of the earliest government-run
charitable organizations. The CCF came into being against this backdrop. Not long after, Civil Affairs offices at the local level began to establish local CCFs. The majority of local CCFs were thus established by local Civil Affairs departments, and many even ended up as administrative offices within Civil Affairs. These local CCFs were officially authorized to solicit charitable donations, leading some to argue that their monopoly on resources will restrict the space for NGOs. Fundraising through government channels also does not foster a modern notion of charity or independence among the citizenry, and it has a detrimental effect on the culture of charitable giving.

Society’s Push for Change

Professor Deng recognized that the CCF has up to now made a historic contribution to the development of China’s philanthropy. But he went on to say that when the CCF first came into being, it was said that “the government would be involved initially in order to withdraw later.” In reality, the CCF’s actions are not consistent with that original intention. “The CCF has already had a period of 15 years to develop with the government’s backing,” Professor Deng observed. “If it does not evolve, there is a danger that it will become an entrenched interest in Chinese philanthropy.”

Yang Tuan, deputy director of the Social Policy Research Center at the Chinese Academy of Social Sciences (CASS), shares Deng’s view of the CCF. “It should bear in mind and recall its 15-year history; compared to those organizations that have been around for only three or even five years, the CCF should be more mature and engage in some soul searching,” she says.

Yang served as Deputy Secretary-General on the Standing Committee of the CCF for five years when the organization was first established. Since then, she says, bureaucratization has become a more serious problem in the organization. “These last few years, the CCF has moved closer to the government, and further from civil society.”

In the Report on Chinese Society, some local CCF offices and government officials disagreed with Professor Deng’s point that “the CCF is hindering the development of philanthropy in China”. In defense of the CCF’s role in promoting philanthropy in China, Mao Shanghui, Secretary-General of the Jiangsu province CCF, compared the CCF to the Red Cross Society of China (hereafter, Red Cross). The government’s presence in the Red Cross Society is greater than in the CCF, Mao said, since the Red Cross is managed in line with the status and benefits given to national civil servants.

Local-level CCF’s naturally feel misunderstood and even offended by the criticism they encounter from the outside, but Yang Tuan says “while she understands why the CCF might feel offended at being compared to the Red Cross and at being viewed as ‘better than some, but worse than others,’ at the same time, the CCF should understand that the criticism is not unjustified and reflect on the choices it has made over the past 15 years.”

Professor Deng also remarked, "the Red Cross is not without administrative powers, but relatively speaking, it holds slightly less government authority [than the CCF]. This does not mean that Red Cross is without problems, but compared to the CCF, the Red Cross has less influence on the culture of philanthropy.”

Local-level CCFs have compared themselves to the Red Cross in an attempt to deflect criticism, but important legal differences exist between the two. Professor Deng explained that the CCF is mainly governed by laws and regulations adopted by the State Council, in
particular the Regulations on the Registration and Administration of Social Organizations, while the Red Cross is governed by the Law of the People’s Republic of China on the Red Cross Society passed by the National People’s Congress in 1993. Furthermore, industry insiders point out that when the CCF joined United Way International in 1998, it flouted international fundraising guidelines, which required it to use the funds it raised to support civil society organizations, and instead channeled those funds into the CCF or government system.

In addition, other public foundations have expressed resentment at the CCF’s exclusive right, along with the Red Cross, to fundraise during a major disaster. Professor Deng has challenged the legality of the practice and pointed out that it is granted in accordance with guidelines issued by the Ministry of Civil Affairs (MCA), which are in conflict with the higher-level Regulations on the Management of Foundations promulgated by the State Council. [Editor’s Note: MCA is under the State Council in the government hierarchy, and thus regulations issued by the State Council should in theory supersede MCA regulations.]

Zheng Yuanzhang, director of MCA’s Department of Charity and Social Donations, confirmed that in previous years, authority for the CCF’s “exclusive fundraising privilege” could be found in a MCA document, noting that “the CCF behaves like a public foundation because it believes the MCA renders it one.” Thus, the crux of the problem, in Zheng’s opinion, is that there exists “a certain legal and operational contradiction between the CCF’s “social organization” [shehui tuanti] governance structure and its responsibilities as a public foundation, and further research and appropriate adjustments should be made. “ [Editor’s Note: In other words, the CCF is legally a social organization (shehui tuanti), which has a different status than a public foundation [gongmu jijinhui], and yet, operationally speaking, the CCF often behaves like a public foundation. Yet the CCF also enjoys privileges that no public foundation, let alone a social organization, enjoys and that is the authority to solicit public donations in the event of a major disaster. After the 2008 Sichuan earthquake, that privilege was extended to select public foundations, but the Red Cross, CCF and Civil Affairs departments were still the major beneficiaries of the public donations made to the earthquake relief.]

The CCF and the Government Should Undertake Reforms

The CCF’s exclusive privilege to fundraise is not just a technical issue, but has systemic implications. Once the CCF is able to free-ride on administrative power, it has exclusive access to substantial charitable resources, preventing other civil society organizations from having a chance to participate. At one point in time, there was an outcry in some cities along the southeast coast where the government had become involved in charity work, but today government interference in charitable affairs no longer makes the news.

In a recent investigation, Professor Deng discovered that several local MCA departments that were concerned about resource diversion had prohibited enterprises or individuals from establishing private foundations. Enterprises or individuals could only participate in the philanthropy system under the separate “special fund” category, or else donations would have to be made directly to the CCF. [Editor’s Note: The issue about resource diversion was MCA’s concern that enterprises or individuals might engage in fraud by diverting donations into their own pockets. The “special funds” mechanism is described in more detail in other articles in this issue. See “The One Foundation and SEE as “shell” Foundations” “Grass-roots NGOs Go through Special Funds to Raise Resources”]

On defining the boundary between governmental power and philanthropy, Professor Deng explained: “The government should help, not be an agent. Often, local governments aren’t successful at managing the degree of involvement and will cross the line. Once the
government initiates an activity, businesses must make contributions. This actually ends up being an exchange of interests, rather than a donation made wholly out of the goodness of one’s heart. This has a detrimental effect on fostering a culture of charity. The culture of charity should be based more on the voluntary participation of citizens; passive or compulsory acts of charity are counterproductive and can lead to a vicious cycle.” However, Director Zheng, of MCA’s Department of Social Welfare and Charity Promotion, suggested that charities around the country face different situations and are in different stages of development. “Under these circumstances, phenomena with different degrees of acceptability exist. We should be thinking of how best to provide guidance, and gradually improve the areas that are not acceptable. Entirely discarding the current philanthropy development model is not conducive to examining other possibilities; we need to allow some areas to experiment,” Mr. Zheng said, adding, “Just like in the reform and opening process, we are all feeling the stones when we cross the river.” [Editor’s Note: Zheng here invokes a popular saying to describe the experimental, ad hoc nature of the reform process started by Deng Xiaoping in the late 1970s: “cross the river by feeling for stones” (mo shitou guohe).]

As a scholar, Professor Deng thinks the critical issue is the relationship between the government and the CCF; ideally, “the government should be distinct from society, and government activity should be clearly demarcated.” Yet, the CCF’s overall transformation process has not been very smooth. The main obstacles arise from within the system. On one hand, there is no external pressure to change, since society, including the academic community, does not sufficiently monitor the system. Secondly, there are no incentives from within for reforms. A large part of the revenue that pays the salaries of CCF staff comes from local governments, so there is little desire on the part of the CCF to withdraw from the government. Third, there is no ability to bring about change. Over time the CCF has grown reliant on the government system and developed a set of administrative and bureaucratic practices mirroring those of the government bureaucracy, stifling the ability to promote institutional reforms from within.

In this regard, Professor Deng explained that he is playing the role of a scholar by making appeals to and exerting some pressure on the CCF. He wants to “promote a more scientific, rational working relationship between the CCF and MCA, and hopes the CCF will, in the future, play a more positive role.” Professor Deng’s comments elicited agreement and recognition from Director Zheng.

Too Involved or Not Enough?

Yang Tuan of CASS candidly pointed out that the transformation of the CCF is a secondary issue: one cannot count on changes to the CCF if the Ministry of Civil Affairs does not change its current relationship with CCF.

Yang Tuan believes that a pattern can be discerned in the disparities of China’s social organizations, depending on their proximity to the government. The closer social organizations are to the government, the more privileges, resources, and power they accrue, and the better their development conditions are. The national-level and local level CCFs are a part of this pattern.

In addition, more importantly, MCA not only coordinates the registration of social organizations, it is also at the same time responsible for the development of the philanthropic sector. It is precisely because of a preexisting relationship with MCA that the CCF has become the most favored channel for the Ministry of Civil Affairs to carry out philanthropy nationwide.
In 2004, the Fourth Plenum of the 16th CPC Central Committee announced that it would work to "improve social insurance, social relief, social welfare and philanthropy, which together comprise the social security system," and that the development of philanthropy would be treated as an important component of the social security system. This implies that the government sees philanthropy not just as a sector to regulate by creating policies and laws, but also as a political achievement to be attained. [Editor’s Note: This goes back to Professor Deng’s remarks about the need to separate government from society and place clear limits on government activity. By conceiving of philanthropy as a political activity, the party-state is encouraging more government involvement in philanthropy and further blurring the line between government and voluntary charitable activity on the part of the public.]

Yang Tuan explained, "The local governments’ misunderstanding of this policy” has culminated in their eagerness to encourage philanthropy as a means for improving their work performance and reputation.” Around 2006, when a wave of philanthropy swept coastal cities in Shandong and Zhejiang provinces, and small and medium-sized enterprises made donations in funds bearing their names, there were suspicions of government involvement in the fundraising.

Meanwhile, Director Zheng is supportive of efforts by different regions to experiment with development models. For instance, with regard to Henan’s Yingyang local government’s approach, which created quite a stir in the media when the government announced that it had “established 1000 charitable organizations and elected 5000 Goodwill Ambassadors,” Director Zheng believes in actively supporting this and other development paths during this current stage of “letting a hundred flowers bloom.” He believes a way forward for philanthropy will emerge that is appropriate for the current phase of China’s development.

On the issue of the government’s relationship to philanthropy, scholars more often believe that the government has exceeded its role in developing philanthropy. Some scholars even believe that it was not appropriate for the government to establish a government bureau for the philanthropy sector, specifically MCA’s Department of Philanthropy and Social Contributions established in 2008. Scholars are concerned that this move will give the government more power over philanthropy work and influence its relationship with non-governmental charities.

In contrast, regarding the current development of philanthropy, Director Zheng believes inadequate effort is made by the government with respect to oversight, the monitoring of charitable organizations and the implementation of laws, regulations and policies. There is also insufficient guidance for the philanthropy sector to establish urgently needed rules, procedures, and standards. The government does not do enough to build the capacity of charitable organizations. It is precisely such government inadequacies in these areas that have created a bottleneck in the philanthropy sector’s development. “Inadequate efforts are the principle problem at this stage, not excessive efforts,” said Zheng. But he expressed concerns over excessive government involvement in fundraising and hoped that government bureaus would not be directly involved in fundraising or soliciting donations, but rather directs their attention to providing guidance on key philanthropic areas.

Changes to the CCF

“The CCF must first be separated from the MCA,” argued Professor Deng. He provided three solutions for the CCF: the first option is to evolve into an institution supported by
government revenues in accordance with law, operating autonomously. The second is to become an independent public foundation that not only can raise funds but can also carry out projects. The third is to become an independent public foundation, with the main difference from the second option being that the foundation would be required to be a United Way organization in a real sense, and use donations to fund community groups in carrying out charitable activities. Professor Deng favors the first and third option, but believes different options can be adopted in accordance with different, local conditions. He noted that, in the transition process, the government must be separated from the CCF and, at the same time, the CCF should establish a new partnership with the government.

Since the CCF is already “viewed as a public foundation”, Director Zheng believes that the CCF can explore this development path, but in the process of transition it should adjust its governance structure. Furthermore, the CCF can improve its working style and methods to enhance the mobilization and development of resources for the public. Additionally, he stressed that society’s discussion of the CCF’s transformation needs to consider its historic role and cannot focus solely on the present controversy, while ignoring its contributions.

Currently, the CCF and local CCFs have not given their response. However, some local charitable organizations have undertaken reforms that offer signs of change in the philanthropy sector.

In 2004 when the Regulations on the Management of Foundations were first issued, the Shanghai Charity Foundation (上海慈善基金会) made a substantive change from a social organization into a public foundation specializing in financing and fundraising. In an interview Ma Zhongqi, Executive Deputy Secretary-General of the Shanghai Charity Foundation (hereafter, SCF), said that it had changed its governance structure and reduced the number of people on the board without affecting its normal operations. The SCF’s biggest change, however, is that it no longer raises funds for its own projects, but has begun to collaborate with other nonprofit organizations, including grassroots organizations. Other than continuing to operate some of its flagship projects, SCF also “raises money and allocates funds to nonprofit organizations.” In his introduction of the SCF, Deputy Secretary-General Ma said that starting in May 2008, the SCF began implementing Management Measures for Shanghai Charitable Foundations Regarding the Funding of Charitable Public Welfare Projects and started accepting applications from Shanghai social organizations, whereas in the past, it had mainly partnered with government-run agencies to carry out its projects.

Deputy Secretary-General Ma explained that any independent legal entity registered with the Ministry of Civil Affairs can now apply for a Shanghai Charity Foundation project. In addition, the SCF does not accept applications for grants from government-run institutions. With regard to the controversial debate surrounding the CCF and the development of philanthropy featured in the Report on Chinese Society, Ma said that such discussions are unnecessary. What’s important is to monitor the development; however, legislation is necessary. “The development of modern philanthropy first and foremost requires legislation. Because once the legislation is in place, many things do not need to be debated. Everyone just needs to act in accordance with the law,” explained Ma.

Those who were interviewed by the China Development Brief expressed their approval of the SCF’s transformation. However, it remains to be seen whether the CCF can learn from the SCF’s experience. Regardless, whether the CCF will carry out reforms and rise to the challenge certainly deserves the attention of all those in the philanthropy sector.
International Donors and NGOs Need to Establish an Equal Partnership

*China Development Brief*, No.45 (Spring 2010)
Wang Hui, CDB Staff Writer

Translated and Reviewed by Michael Schmale

**Introduction:** This article is part of our special issue on New Trends in Philanthropy and Civil Society in China (Summer, 2011). While many of the other articles in this issue examine the rise of Chinese foundations and their possible impact on the NGO sector, this article examines the role and impact of international funders which have traditionally been the most important supporters of grassroots NGOs in China. It interviews the author of a survey that asked Chinese NGOs to evaluate their international donors. The survey finds that, while NGOs are getting a growing share of their funding from Chinese foundations, funding from international donors is still very important to NGOs. The survey also identifies a number of areas for improvement in the NGO-donor relationship. It calls for donors to establish a more equitable relationship with NGOs, and to view funding as an opportunity to help NGOs develop and strengthen their capacity, rather than to impose additional burdens on NGOs. Some of those burdens include onerous application and reporting requirements, and excessive emphasis on project funding without providing funding for staff and administrative costs that are needed to manage the project. The lessons culled from this survey are important for international donors who want to improve their performance and effectiveness, but they may be even more critical for Chinese foundations which are only starting to learn how to work with grassroots NGOs.

In June 2010, local NGOs participated in the first ever large-scale evaluation of international donor organizations in the inaugural “Survey on International Donors by Chinese NGOs” (支持中国草根民间组织国际资助方评估). The survey included feedback from 110 Chinese organizations evaluating 122 different international funders. *China Development Brief (CDB, 中国发展简报)* had the opportunity to speak with Bo Meng, international consultant and program officer for the Capacity Building & Assessment Center (CBAC, 信能组织能力建设与评估中心), the primary organizer of the survey.

The growth of local NGOs has always been closely tied to the aid provided by international donors. Although the dollar amount of financing has steadily declined in the wake of China’s economic growth, international aid still plays a decisive role in the funding and capacity building of Chinese NGOs. Not surprisingly, many challenges still exist in the relationships between international donors and local NGOs, and these challenges, in turn, could help determine the future growth and development of Chinese civil society.

According to CBAC’s report, “The relationship between donors and NGOs still follows a traditional top-down model, wherein the donor provides funding and the NGO must accept the conditions and terms set by the donor. The two sides have yet to establish a more equitable partnership, something also evidenced in the culture of “upward accountability.” In the current state of affairs, funding recipients are responsible for detailing how grants were spent and the results they achieved, whereas donors themselves have little or no accountability. Seldom do they ask, “What problems and difficulties, does this funding relationship produce and how can we improve it?” The current top-down form of evaluation has resulted in lost opportunities to improve the funding system itself, discouraged recipients...
from innovating, and implicitly punished recipients who have encountered difficulties in their operations not taken into account by donors.

A closer look at donor organizations indicates that the donor-recipient relationship varies significantly according to the donor’s overall funding strategy. “A strong partnership generally indicates a good funding relationship; on the other hand, a good funding relationship does not necessarily indicate a strong partnership.” Bo Meng points out that foundations that focus on providing comprehensive support for Chinese organizations often enjoy good relationships with their partners. In contrast, organizations that both run their own programs and provide funding to Chinese groups often treat Chinese NGOs as mere functionaries, a working relationship with definite room for improvement.

According to Bo Meng, a significant proportion of donors are still accustomed to unilaterally setting the parameters of the funding relationship. They still view the relationship as a top-down, patron-recipient model, and not as an equitable partnership. Thus, Chinese NGOs and international donors still have a significant ways to go in establishing genuine partnerships.

Bo Meng acknowledges that blame for the current system does not lie wholly with donors. In fact, NGOs have their own reasons for preserving the status quo. After all, within the wider context of international aid, Chinese grassroots NGOs and their funders are stakeholders in the same system—they simply represent different links in the chain.

According to the report, a majority of Chinese NGOs reported spending an inordinate amount of time and resources navigating the bureaucracy of donor organizations, indicating a funding process that benefits neither side of the relationship.

Furthermore, the majority of Chinese NGOs reported primarily receiving funding for projects, saying many donors decline to cover basic operational and administrative costs. Bo Meng believes that international donors would be well-advised to diversify their funding strategies. He further acknowledges that this sort of transition toward more comprehensive funding may require donors first to educate their own financial backers about peculiarities in the structure and regulations of China’s civil society and the special needs that Chinese NGOs have as a result.

One interesting finding of the survey was how the donor organizations’ individual program representatives affected the overall relationship between donor organizations and NGOs. Bo Meng explained, “Sometimes an NGO’s satisfactory rating of a donor had nothing to do with the organization itself, but rather reflected a positive relationship with the particular program officer dealing with the NGO.”

In addition, the report indicated that large, well-established donors with resources and personnel in China did not necessarily enjoy a better relationship with Chinese NGOs than donors without these advantages. In fact, the latter often showed more willingness to cooperate with Chinese NGOs. The question of how to more effectively marshal the domestic resources of well-established donor organizations clearly deserves further consideration.

Individual personalities also remain an influential variable in the relationship between donors and NGOs. In the survey, Bo Meng discovered that “there are a number NGOs who work closely with a given foundation, but constantly worry that, if the foundation’s contact person changes, then the entire relationship will be threatened.”
“Foundations, in addition to evaluating funding recipients, also need to look inward and evaluate their own performance at fixed intervals. This sort of practice remains exceedingly rare.” Bo Meng adds.

Another incipient problem lies in Chinese NGOs’ unwillingness to express dissatisfaction with a donor, even at the end of the relationship, for fear of jeopardizing future funding opportunities. Donors, meanwhile, fear that any sort of conflict, if publicized, could influence their ability to fundraise, and thus tend to resolve disputes as quietly as possible.

“If you don’t approach the partnership as equals, it is difficult to achieve the optimum result. A cooperative partnership must be built on a foundation of mutual respect.” Bo Meng says.

“Chinese NGOs are often the targets of appraisal, whereas donors are seldom subject to evaluation.” In the process of collaboration, “domestic non-profits are unlikely to communicate very candidly with donors,” even when the donor might try to elicit feedback. According to Bo Meng, the survey was undertaken in response to this situation.

Bo Meng believes that addressing the way Chinese NGOs interact with international donors is an important aspect of capacity building. Thus, this survey conforms with CBAC’s core mission.

Before joining CBAC, Bo Meng worked for the German MISEREOR Foundation, allocating grants to grassroots organizations in China. This experience on the other side of the funding divide has given Bo Meng exceptional insight into the dilemmas faced by donors and NGOs alike. In his role at CBAC, Bo Meng is very sensitive to the respective roles played by donors and NGOs.

Bo Meng says the purpose of the survey was not to publish a formal evaluation of international donors, but rather to give feedback to these organizations and let them know how they are perceived by local NGOs. He hopes it can be a starting point for improved relationships between the two.

In the course of our conversation, Bo Meng also pointed out that the operating environment for Chinese NGOs is in the midst of change. As foreign aid continues to shrink, competition for funding will grow increasingly fierce. Chinese NGOs have already encountered difficulties in the wake of the 2008 financial crisis when international funding dried up and many organizations that had grown to rely on international donors were suddenly on their own. This experience and the ensuing controversy over the roles of foreign vs. domestic funding also may have helped to heighten incipient tensions in the relationships between Chinese NGOs and foreign donors.

The rise of Chinese foundations raises the possibility of a new source of funding for NGOs, a conclusion supported by the report’s finding that Chinese NGOs are relying less and less on foreign donors, and instead are cultivating new sources of funding. According to the report, “if foreign donors were to cut off funding within the next two years, of the 100 or so NGOs in the survey, only about 16% would be forced to cease operating.” Bo Meng admits that “although this is a significant percentage, it’s far less than we had expected.” Furthermore, he believes that this report will be an excellent resource for the growing number of private foundations in China as they establish their own working relationships with Chinese NGOs. [Editor’s Note: A number of the articles in this special issue address the rise of private foundations and their evolving relationship with Chinese NGOs.]
The “Survey on International Donors by Chinese NGOs” was a joint project of CBAC and the Institute for Civil Society (ICS, 公民与社会发展研究中心) of Sun Yat-sen University, with the support of the Social Resources Institute (SRI, 社会资源研究所), NGOCN.net (NGO 发展交流网), and others. As of this article’s original publication, Bo Meng was preparing the final draft of the report for dispersal to international foundations operating in China, as well as publication on NGOCN.net and the websites of CBAC and SRI. Bo Meng further hopes to hold a workshop for the organizations that were the subject of this report to gauge their reactions to the results. Together with ICS he is considering repeating the survey every two years, in addition to conducting case studies and training for donor organizations, with the ultimate goal of creating a platform for dialog between donors and NGOs and improving this vital relationship.

(The complete results of the “Survey on International Donors by Chinese NGOs” can be found online at http://www.sojump.com/jq/91269.aspx; interested parties may contact Bo Meng directly at bomeng@pactchina.org)
Grass-roots NGOs Use Special Accounts to Raise Funds

*China Development Brief*, no. 48 (Winter 2010)
Wang Hui, CDB Staff Writer

Translated by Shamo Thar
Reviewed by Kate Xiao

Introduction: This article is part of our special issue on New Trends in Philanthropy and Civil Society in China (Summer, 2011). It looks at a fundraising mechanism that is increasingly being explored by grassroots NGOs not allowed to engage in public fundraising. The mechanism involves NGOs partnering with public foundations to set up a special fund within those foundations that would allow these NGOs to engage in public fundraising. This is a similar mechanism to the one used by Jet Li’s One Foundation, which was able to raise funds publicly using a special fund set up within a GONGO, the Chinese Red Cross. These cases highlight two interesting problems and trends particular to China’s philanthropy sector. One is the privileges given to GONGOs, like the Chinese Red Cross, and public fundraising foundations, like the China Youth Development Foundation, which are allowed to engage in public fundraising. In contrast, private, or what the Chinese call “nonpublic fundraising”, foundations and other grassroots NGOs, are not allowed to fundraise publicly, which severely constrains their ability to not only raise funds but also gain more awareness and legitimacy among the general public. Secondly, it shows that collaboration is taking place between GONGOs and public foundations and grassroots organizations. The former have often been criticized as being closely connected to the government apparatus, but the special funds mechanism shows a willingness among some GONGOs and public foundations to support grassroots NGO development.

At the end of 2009, the China-Dolls Care and Support Association (瓷娃娃关怀协会) (hereafter China-Dolls) established the “Osteogenesis Imperfecta (OI) Fund” (hereafter the OI Fund) under the China Social Welfare Education Foundation (中国社会福利教育基金会). Since then, a series of special funds have been set up by the foundation for other organizations. In total, there are 24 funds, including some associated with well-known grassroots NGOs, such as the One More Kilogram Fund (多背一公斤公益基金), Baobei Huijia Charity Fund (宝贝回家慈善基金), and Beijing Yilian Migrant’s Fund (北京义联农民工公益基金). [Editor’s Note: OI is also known as “brittle bone disease” and is a genetic bone disorder. The names of the funds associated with grassroots NGOs are also the names of the NGOs themselves.]

Founded in 2008, China-Dolls aims to provide medical treatment and services for OI patients. Donations from caring individuals have kept the association running; however, it has struggled to find a constant revenue stream. Most foundations and businesses do not provide grants or financial support for OI patients. China-Dolls also did not meet the qualifications to raise funds from the public. “We had no choice but to raise funds through a special fund,” said the founder Wang Yi’ou. In talks with some of the larger public foundations, China-Dolls tried to convince them to help set up an OI Special Fund, but those efforts stalled because the foundations required one million RMB in start-up capital, which was too expensive for China-Dolls. [Editor’s Note: The vast majority of NGOs in China cannot raise funds in public. Only public foundations, like the China Social Welfare Education Foundation, and GONGOs, like the Chinese Red Cross, are allowed to fundraise publicly, which means they are allowed to solicit donations through the media, public billboards, and public events.]
Coincidentally, Wang Yi’ou met Xiao Longjun, who is the Program Vice-Director of the *China Social Welfare Education Foundation*. Xiao Longjun recognized the needs of China-Dolls and spoke with them about creating a special fund under the Foundation. Later on, Xiao Longjun located other grassroots NGOs, such as the *One More Kilogram Fund, Beijing Yilian Migrant’s Fund, and Baobei Huijia Charity Fund*, and offered to set up special funds for them.

“Grassroots organizations really need this [special funds] platform, and they have their professional advantages, as they understand the needs of the people they serve and have a longstanding commitment to public service,” said Xiao Longjun in an interview. He and the *China Social Welfare Education Foundation* appreciate these qualities. In addition, he pointed out that “setting up the special fund will benefit our foundation’s development, and improve the plight of many other marginalized groups.”

The foundation’s involvement marked a turning point in the China-Dolls search for funding; however, once again, the China-Dolls faced financial difficulties when creating the special fund. “Technically, a special fund must have start-up capital,” said Xiao Longjun. At the time, China-Dolls had no money, Wang Yi’ou recalled. Later on, Xiao Longjun submitted a report to the board members of the foundation on the China-Doll’s situation. Eventually, the foundation made a special case for the China-Dolls and used 100,000 RMB from its own operating budget to set up a special fund for China-Dolls. From then on, the foundation required other organizations to have 100,000 RMB in start-up capital, in order to establish a special fund. In an interview, however, staff from the *One More Kilogram Fund* disclosed that the foundation had not requested any start-up capital from them either. In August 2009, after several rounds of discussions lasting half a year, China-Dolls and the foundation finally drafted the agreement to establish a special fund. That November, during a national conference for patients, China-Dolls formally announced to the public the news that it was setting up the special fund. With the additional 150,000 RMB in donations that was raised at the conference, China-Dolls was able to embark on a new path of development.

**Embracing and Accepting Grassroots NGOs**

To set up a special fund, the *China Social Welfare Education Foundation* has put forth some basic conditions. One is that the special fund’s development should be consistent with the foundation’s mission. The special fund must operate legally, and be in compliance with the foundation’s regulations. The foundation and the special fund also share a management committee to ensure the appropriate use of funds.

Special funds do not have their own or separate bank accounts; therefore, all of the publicly-raised money for special funds goes into the foundation’s main account. Furthermore, under the *Regulations on the Management of Foundations*, the special fund is required to reserve a percentage of the money raised for covering the foundation’s program and financial operating expenses. But to support these grassroots special funds, the *China Social Welfare Education Foundation* deducts only five percent of the publicly-raised proceeds to cover its operating costs.

“When the China-Dolls had just started up its special fund, we did not collect any fees; only later did we begin collecting a fee from them,” said Xiao Longjun. “Initially we wanted to lend our support to these grassroots organizations, not just one but a number of them, but eventually we could not afford to waive management fees for so many organizations.”
Wang Yi’ou, from China-Dolls, is also the Secretary-General of the Rare Disease Care and Support Fund. She believes that the five percent management fee is a bit high and hopes that the fund could be exempted from the fee. At the same time, she also recognizes the additional work that China-Dolls has created for the foundation. Furthermore, the agreement between the China-Dolls and the foundation states clearly each side’s rights and responsibilities, thereby helping to maintain each side’s autonomy.

Covering the foundation’s management fee is not the biggest challenge for the OI Association. Wang Yi’ou said, “At present, what we really need to do is keep our own office administrative expenses within 10%, as required by the Foundation. But it is impossible for us to reach that level. The administrative costs of the organization are mainly for personnel and the rental of office space, for which we would need 40,000 RMB per month, meaning that we would need to obtain 4,800,000 RMB yearly. We cannot raise this much money at this early stage. Currently, China-Dolls has two offices in Beijing and Shandong with nine employees. Also, the public tends to donate more money to cover the patients’ operation and treatment costs and not the administrative costs of the organization. But this situation will change gradually.”

Since the inception of the special fund, China-Dolls has maintained good relations with the foundation. Wang Yi’ou and Xiao Longjun both agree that this relationship has provided the basis for collaboration. The China Social Welfare Education Foundation also provides guidance to grassroots organizations and regulates the activities and finances of the special fund. However, “the foundation behaves less like a mother-in-law and more like a close relative,” said Xiao Longjun. The foundation is also receptive to criticism of its work and seeks improvement in those areas. [Editor’s Note: The term “mother-in-law” or “popo” is a reference to government agencies that oversee NGOs and interfere in their affairs. Here China-Dolls is saying that even though the foundation is a GONGO, it does not act like a government agency, but instead treats the NGO more as an equal.]

In Xiao Longjun’s opinion, a lot of progress has been made in developing special funds and some special funds are even fully operational. In the future the foundation hopes to offer them even more support. “This is a gradual process, but it is possible that the special fund could operate on an even larger scale and be given significant autonomy,” Xiao Longjun said. “If possible, they could eventually be independent [of the foundation].” This would allow the foundation to promote the development of grassroots organizations, while also gaining public support. Such an attitude stems from Xiao Longjun’s emphasis on “embracing and accepting NGOs,” a perspective that has been lauded by several of the interviewees, including China-Dolls and the One More Kilogram Fund.

“At present the foundation manages the 24 special funds that are affiliated with it, but the foundation is still a relatively small organization and can continue to learn and develop,” said Xiao Longjun. “However big they might become, special funds set up by the foundation to benefit underprivileged and marginalized parts of the population would not be considered large.”

Nevertheless, Xiao Longjun believes one can expect special funds to improve their fundraising capacity, citing the underdeveloped philanthropic environment as a constraint. The foundation also hopes the special funds can promote team building and enhance fundraising capabilities. At the same time, “these funds can be further integrated into the foundation,” Xiao Longjun noted. “It can evolve into a more professional platform for helping many more people.” China-Doll’s Rare Disease and Care Fund has so far raised more than one million RMB, far more than other special funds created under the foundation.
On the Vicissitudes of Foundation Special Funds

The establishment of the China Children Charity Foundation (中国少年儿童慈善救助基金会) in November 2009 attracted a great deal of attention. In June and July of this year, the Beijing Stars and Rain Fund, which helps autistic children overcome learning disabilities, and the Sun Village Fund, which provides services for the children whose parents are in prison, were two special funds set up under the Children Charity Foundation. [Editor’s Note: Beijing Stars and Rain (星星雨) and Sun Village (太阳村) are two well-known grassroots Beijing-based NGOs.]

Sun Zhongkai, the manager of Beijing Stars and Rain explained, “Prior to its establishment, the Children Charity Foundation had been in contact with us. So, it was not difficult to set up our special fund, but it required one million RMB in start-up capital and this was far more than the China-Dolls’ minimum requirement with the China Social Welfare Education Foundation. Fortunately, we were able to come up with this amount of money and creating the special fund represented a great opportunity for us.” Sun added that the Stars and Rain Special Fund would help the NGO, which is registered as a business, solve an “explosive problem” resulting from use of a personal bank account, by allowing it to set up an organizational bank account. Stars and Rain also expects to start a fundraising team in the next year. [Editor’s Note: The “explosive problem” referred to here is common for nonprofits that register as a for-profit business, but use their personal accounts to accept donations, so they will not have to pay taxes on those donations.]

The two [public] foundations discussed above, the China Social Welfare Education Foundation and the China Children Charity Foundation, have only been in operation a few years. Established in 2005, the China Social Welfare Education Foundation was not very active until early 2009, when the foundation brought in qualified people, including Xiao Longjun, to do their work.

On a different point, some of the foundations supervising special funds have been veteran public fundraising organizations. China Youth Education Assistance (CYEA) (视野中国) is an organization that works on promoting education and career opportunities for high school students in second-tier and third-tier Chinese cities. In July 2007, the CYEA created its special fund under a well-known public fundraising foundation, the China Youth Development Foundation (在中国青少年发展基金).

Interestingly, the CYEA and China-Dolls were members of the Non-Profit Incubator (NPI) around the same time. When the CYEA was looking to set up their special fund, they consulted with the China-Dolls.

Tian Yang, a staff member of CYEA claimed, “Establishing a special fund not only qualifies you to do public fundraising, but also gives you legitimate status as an organization and enables you to build trust with the big foundations and the relevant government agencies. It is even more important for our organization to obtain trust from the public than being eligible for public fundraising.” Tian Yang explained that the successful creation of the special fund depends on recommendations from people in the public welfare NGO world, proximity between the NGO’s work and the foundation’s mission, and approval from the China Youth Development Foundation’s leadership. He explained that the special fund also enriches the China Youth Development Foundation’s programs.
In turn, the China Youth Development Education Foundation is very supportive of the work of public welfare organizations, which helps make cooperation possible. The China Youth Development Foundation did not ask the China Youth Education Association for start-up capital, nor did the foundation charge a management fee, except when the money raised was for non-project related activities, for which there was an assessment of 5 percent of the total amount of money raised.

An Zhu from the [NGO] One More Kilogram Fund was astonished when the China Social Welfare Education Foundation first came to him to discuss setting up the special fund. He appreciated their generosity towards grassroots organizations. Today, setting up the special fund under public foundations is becoming more commonplace. An Zhu explained that he is pleased to see public foundations opening up to grassroots organizations and hopes this relationship will continue, so both sides can develop professionally.
Different Opinions at the Second Private Foundation Forum

*China Development Brief*, no.48 (Winter 2010)

Liu Haiying, *CDB* Senior Staff Writer

Translated by Susan Zeng  
Reviewed by Zhang Hong

**Introduction:** This article is part of our special issue on *New Trends in Philanthropy and Civil Society in China* (Summer, 2011). It details some of the important issues and debates raised at the second session of the Private Foundation Forum about the role of private foundations, and the private entrepreneurs behind them. Some of those issues are discussed in several research reports released at the Forum highlighting deficiencies in foundation governance and transparency. Strengthening board governance and information disclosure are two major challenges facing many private foundations. Other issues that stimulated discussion at the Forum included: whether Chinese philanthropists should follow the Gates model of “naked donations” that involves giving all your money to charity and leaving nothing to your family; whether charity is a pursuit only for the wealthy and whether China’s entrepreneurs are part of the wealthy class; and whether Western approaches to “intelligent philanthropy” can be replicated in China due to a different regulatory environment. One other important issue discussed concerned whether private foundations will support NGOs. That discussion is dealt with in a separate article in this issue: “Develop Philanthropy Together Through Debate and Cooperation.”

The second session of the China Private Foundation Development Forum [hereafter, the Forum] was held in Beijing on Oct. 28 and 29, 2010. The large crowds showed that many from the government, private business and nonprofit sectors were paying attention to [the rise of private foundations]. The participants engaged in informative and interesting debates over the role of private foundations in the development of philanthropy in China.

With the emergence of private foundations five year ago, Chinese philanthropy witnessed a period of rapid growth, leading people in the industry to wonder whether China’s private foundations could continue to grow in a sustainable manner. [To address these concerns], seven foundations got together to organize the first session of the Forum was held on July 2, 2009. More than a year later, 13 foundations followed up by organizing the second session.

Xu Xiaodong, Chairman of Vantone Foundation (万通公益基金会) and the Forum’s Chair, declared that: "Private foundations are no longer in their infancy and have begun to mature." At the meeting, Yang Yue, the deputy director of the NGO Management bureau of the Ministry of Civil Affairs (MCA), predicted that the total number of foundations would exceed 2000 by the end of 2010, and half of these would be private foundations. [Editor’s Note: To put these figures into some context, as of 2004, there were 892 registered public foundations, and no private foundations. In 2005, there were 721 public foundations and 253 private ones. This year (2011), both public and private foundations will exceed the 1,000 mark.] Yang however was not optimistic about the overall situation of private foundations. At the Forum, she mentioned various problems facing the private foundations. The overwhelming majority of private foundations suffer internally from various governance problems, such as poor management, low organizational efficiency, and lack of effectiveness in providing services. Externally, private foundations lack social influence and have difficulty gaining the trust of donors, the public and the government, and mobilizing social resources.
Research Report Findings

Clearly, the Forum sponsors and organizers did not avoid the problems that exist in the industry. At the second session, three research reports were released that provided an in-depth and comprehensive study of internal governance, information disclosure, and public welfare projects in the foundation sector. The reports provided a snapshot of the sector’s current situation, and paid particular attention to the problems in the industry.

The "Report on the Internal Governance of Private Foundations" was written by Professor Kang Xiaoguang of Renmin University. The report focused on decision-making mechanisms within the Council and the financial distribution made by the Council and the Secretariat. The report showed that currently private foundations are mainly governed by the funders themselves. According to international practice and China's "Regulations for Foundation Management", the foundation’s board of directors should be the highest decision-making body, and rely on a democratic process, with each board member having one vote. Yet decision-making in most foundations is dominated by one individual.

According to Professor Kang, the core problem has to do with unclear ownership structures in most private foundations. Legally these organizations belong to the society, but there is no mechanism for society to manage them. Because the funds of private foundations come from major gifts made by a family or corporation, the foundation’s existence relies heavily on the family or corporate funder. As a result, the funders of private foundations tend to dominate the decision-making process, with the lack of a public oversight mechanism constituting the major problem.

Of course, the saying that "whoever has the money is in charge" does not necessarily mean that the wealthy have the final say. Scholars with social prestige can influence people’s thinking on donations, artists can raise funds by selling their creative works, and those in power or with political background can make deals with the entrepreneurs to raise money. All these people can have a voice in the decision-making process.

To deal with this problem, Professor Kang believes it is important to strengthen the board’s internal governance and to enhance external oversight by the public. Because private foundations often have self-sustaining boards that decide the makeup of the next board, relying solely on board governance is insufficient. It is also important to introduce external competition, accountability, and oversight, if public welfare organizations are to improve their governance.

However, having a sound governance structure does not necessarily result in high operating efficiency. This argument was put forth by Professor Kang, supported by more than ten years of experience and observation in the field. He concluded that the best foundations tend to be the ones where there is one decision-maker, but that person must be capable. In terms of which governance mechanism would most benefit the long-term development of private foundations, he concluded that it was still too early to tell.

Professor Kang’s conclusion that efficacy does not necessarily correlate with the governance structure was not directly negated in later discussions. However, Yang Peng of Alxa SEE Ecological Association (但是阿拉善 SEE 生态协会) Chair of the Experts Committee, believes that value orientations are important in shaping the governance structure. He made the analogy to corporate governance structures, where even though private companies, family-owned companies, and joint-stock companies co-exist, he argues that throughout
human history there is still a mainstream governance structure that has been proven to win people’s trust. He cites the joint-stock company structure as one where some principles must be upheld. He summed them up as "three powers" and "three characteristics". The “three powers” are: decision-making, enforcement, and supervision powers. These powers must be separated. In addition, private foundations must possess “three characteristics”: serving the public interest, openness, and serving the social interest (e.g. being subject to public and donors’ constraints). If these principles can be upheld, then the influence of capital or government [on foundation governance] may not be a problem. However, the existence of private foundations dominated by the funder, as mentioned in Professor Kang’s report, is precisely a departure from these principles.

Subsequently, Duan Defeng, the CEO of Beijing Ruisende Management Consultants Limited (北京瑞森德管理顾问有限公司), released the "China Private Foundation Disclosure Guidelines." He estimated that about half of current private foundations are "three-nos" Foundations. The so-called "three-nos”” are “no full-time staff”, “no fixed location” and “no budget”. “No budget” does not mean no money, but money is spent with no budget constraint. This conclusion was based on 65 completed questionnaires (the original intention was to study 200 foundations, but only 65 completed questionnaires were returned). [Editor’s Note: Duan Defeng worked for Oxfam Hong Kong for many years and served as Secretary-General of the HaiCang Charitable Foundation (海仓慈善基金会).]

In collecting information for 40 foundations, the report’s research team got most of their information from the MCA’s website, not from the foundations’ own websites or other information platforms. Although private foundations stressed self-governance and self-discipline, they have not become a self-regulating group. Therefore when social pressure is insufficient to encourage information disclosure, the major motive for information disclosure came mainly from government authorities.

In addition, the team found that the information disclosure situation for private foundations registered with the MCA is quite good. Duan thinks this may be the result of the government’s lengthy review and approval process. In terms of the content and timeliness of the disclosed information, the 35 individual- or jointly-sponsored private foundations tended to perform better than the 30 private foundations sponsored by schools or enterprises. The main reason is that individual-and jointly-sponsored organizations are under more pressure to raise funds, and disclosing information is one way for them to attract donations.

Dr. Dong Qiang of China Agricultural University released the third report, "Case Studies of China’s Private Foundation Projects." Of the 18 cases, 7 projects were focused on education, indicating that private foundations projects lack diversity. Dr. Dong gave several reasons [for the relatively narrow focus of foundation projects]. First of all, private foundations have only been around a few years and lack an understanding of the different sectors needing funding. Secondly, the foundation founder decides the areas to be funded based on two considerations: one is the project’s effectiveness and the other is continuity with previous projects. The founder may have been engaged in charitable projects before setting up the foundation, and may prefer to continue carrying out conventional charity projects [as opposed to working in neglected or new public welfare sectors]. The report also finds that private foundations are good at integrating resources across sectors and developing partnerships with research institutions, grassroots organizations, government agencies, local governments, and enterprises.

The Controversy over "Naked donations"
Many of the speakers at the Forum were the focus of media attention, and some handled it well. One of them, Xu Yongguang chaired the Forum’s last panel on “Industry Responsibility and Society’s Role”. This topic produced both attention-catching stories and heated debates.

Feng Lun, the Chairman of Vantone Real Estate Company and a noted thinker in the real estate industry, spoke at the forum regarding “naked donations” and elicited a strong response from Professor Kang. [Editor’s Note: Vantone Real Estate is the corporate funder of Vantone Foundation, and Feng Lun also serves on Vantone’s board. The term “naked donation” is used to describe philanthropists like Bill Gates who left all of his fortune to philanthropy and nothing to his children.] Feng said: "Every person has a right to distribute his or her own wealth. It’s unfortunate if the society requests, expects or even induces all entrepreneurs to take a naked donation stand." Feng argued that, as early as 1956, business owners made “naked donations” to the Public-Private Joint-Enterprise movement. It resulted in a great famine and the Cultural Revolution. In promoting public welfare and charitable activities, we should not impede the basic system for creating wealth, namely, the property ownership structure, the free market economy and normal enterprise management. If public welfare and charity activity harms private property ownership, the long-term development of private enterprise, the existing pattern of private wealth and the motivation for wealth creation, then we’ll be cutting off the funding source for charity and public welfare. He issued two warnings: first, as charity grows more popular, we should be careful to protect the property ownership structure in order to promote an effective free market economy and enterprise ownership system; second, we should be very careful about how donations are made. The charitable and public welfare cause will only grow in the right direction when money is donated to society, rather than to the government. If we all make “naked donations” and 90 percent of our donations go to the government, then all money and assets will eventually come under state ownership. [Editor’s Note: the Public-Private Joint-Enterprise movement in 1956 was initiated with the ultimate aim of bringing private enterprises in the PRC under state ownership. The “great famine” is a reference to the famine following the Great Leap Forward (1958-1961) that resulted in an official death toll of 8 million, but unofficial estimates ranging from 14 million to over 30 million deaths. Feng’s statement reflects a neoliberal, more right-wing, view that sees private ownership and enterprise, and the free market, as essential to China’s economic development. It also espouses a belief in the importance of placing significant and clear constraints on government authority and power.]

Feng’s remarks provoked a strong response from Professor Kang who said: "I agree with many things that Mr. Feng Lun just said, but I disagree with his connection of ‘naked donations’ to socialist nation-building in 1956 as the two are not related.” Kang explained that in 1956 many people were force to donate their property to the government. In contrast, today’s entrepreneurs who choose to make “naked donations” do so voluntarily and under the condition of private property protection guaranteed by the government. To say that "naked donation" led to the Great Leap Forward, the Great Famine, and the Cultural Revolution is ridiculous as there is no direct connection between them. We cannot logically argue that China will experience a great famine if some people make naked donations; this is clearly nonsense.

Professor Kang later emphasized that our society should not force people to donate, especially to make a "naked donation", nor should we oppose or criticize people who make donations, especially "naked donations". Our society should have some basic moral standards. We can have different opinions about “naked donations”, but those willing to make a charitable donation should be respected by everyone. We may differ as to how donations should be made, but that is an entirely different matter.
Xu Yongguang raised the “naked donation” topic again at the last panel. He said: “when I saw the news on August 5, 2010 about two American tycoons coming to China to discuss their model of donation, I started to write an article entitled ‘Wealthy Chinese are not in a hurry to learn about philanthropy from wealthy Americans.’ He worried that this event would lead to comparisons of the wealthy based solely on their donations, thinking that it is very easy for Chinese society to go in that direction. [Editor’s Note: Xu here is referring to the September 2010 visit by Bill Gates and Warren Buffett to China to speak to China’s tycoons about the value of philanthropy.]

Controversy over the Term "Charity by the Wealthy"

Wang Shi, CEO of the Vanke Group (万科集团), does not agree with the term "charity by the wealthy". [Editor’s Note: Wang Shi is also one of the founders of Alxa SEE Ecological Association, a noted environmental NGO whose sponsoring members are entrepreneurs.] He said, "We ourselves are entrepreneurs. Entrepreneurs are not necessarily rich. Some years ago, SEE asked [their members] to donate 100,000 RMB a year, but it wasn’t easy for some entrepreneurs from small and medium-size companies to contribute this much. Entrepreneurs are not necessarily a group of wealthy people, but rather a group of people with training and management experience. In fact, after 30 years of reform and opening up, China's private enterprises have become quite powerful, not in terms of wealth but in terms of their management experience and their knowledge about how to utilize financial tools and train employees. Therefore, one cannot simply say entrepreneurs are rich and vice versa. Wang's remarks were similar to concerns expressed by Xu Yongguang who noted that the term "charity by the wealthy" was likely to give rise to resentment, and was not conducive to encouraging entrepreneurs to participate in charitable work.

Wang also spoke of the advantages for entrepreneurs who wanted to participate in philanthropy. Entrepreneurs can bring critical financial and management resources to assist grassroots NGOs, which generally lack both funding and management experience.

Zhai Yan of Huizeren Advisory Services Centre (惠泽人咨询服务中 心) mentioned that most private foundations are not clear on questions such as, who am I ? What do I want to do? What community do I represent? Where are my roots? Many foundations also think that the management skills they gain in the corporate world will work for them in the public welfare world. Actually people with high IQs in running a company can still be a student in public welfare work. So it is very important to interact with grassroots NGOs, and learn from each other, because it seems that kind of experience is lacking [in many foundations].

In the last panel, Wang Shi implicitly criticized the way Chinese entrepreneurs engage in philanthropy by praising Warren Buffett for using "intelligent philanthropy" techniques. As the world's second richest man, he teamed up with the world’s richest man and was able to tap into the energy and resources of Bill and Melinda Gates. As a result, his philanthropic activities do not take too much time from his business activities. By comparison, Chinese entrepreneurs are engaging in philanthropy by involving themselves personally in public welfare activities. For example, some entrepreneurs gain satisfaction from doing charitable work by personally handing out cash. If they keep doing this, they’ll exhaust themselves in no time. Fortunately, Chinese entrepreneurs have not yet made a lot of money. If they were to become as rich as Bill Gates, how would they find the time to hand out all that cash personally? [Editor’s Note: Wang Shi here issues a veiled criticism of entrepreneurs-philanthropists such as Chen Guangbiao who has made the news for his own controversial
What is “intelligent philanthropy”? 

Lu Dezhi is the chairman of the board of the Huamin Charity Foundation (华民慈善基金会). When it was founded in 2008, Huamin had registered capital of 200 million RMB, the highest registered endowment among private foundations. At the opening ceremony, Lu announced he would increase the fund to 500 million in two years, 2 billion in five years and 10 billion in 10 years. After two years had passed, Huamin’s fund had not increased as promised.

Lu explained that "a 10 billion RMB foundation really is our goal, but this goal is very difficult to realize under the current policy, especially the tax system. According to the original plan, in 2009, we should have increased the fund to 500 million, but later after discussing various aspects [of the plan], we found it difficult to implement because, after all the calculations and accounting for the foundation’s various tax exemptions, we still ended up paying an extra three percent tax. Under the current tax policy, it is very hard to make a 'naked donation'. We found that Feng Lun is particularly smart because he reduced his foundation’s registered fund from 4 million to 2 million, but continued to make a contribution every year."

At the salon held on the first night of the Forum, Tang Jun, the Director of Policy Research at the Chinese Academy of Social Sciences (CASS) said that China's private foundations need to meet a new requirement. National-level foundations need to exceed 20 million RMB [in registered funds], while local-level foundations need to exceed 2 million RMB. In this regard, Lu explained that the foundation's registered funds can be reduced to meet the minimum level for registered funds. After that, further contributions can be made every year depending on how much money is spent. Because donations are made in order to get a tax deduction, foundations do not benefit if they have to pay an enterprise income tax. This is what Wang Shi calls ‘intelligent philanthropy’, but something private foundations are not willing to do.

[Editor’s Note: Tang Jun’s reference to the minimum amount of registered funds required for private foundations to register comes from the 2004 Regulations on Foundation Management. Lu here is saying under current tax laws, private foundations have an incentive to contribute money every year to maintain their registered funds at the minimum allowed by law, rather than make a large one-time donation. In the latter case, foundations need to pay a three percent income tax on any gains made from the foundation’s unspent surplus.]

Given that private foundations have only been around for a few years, and growing rapidly, it is understandable to hear the debates and misunderstandings voiced at the Forum. Their discussions also reflect the Forum’s principle of promoting "communication, cooperation, and development." Although NGOs and private foundations face the same grand social goal, and differ only in their roles and responsibilities, they still have a long way to go in establishing an equal partnership in the philanthropy chain. [Editor’s Note: On the dialogue between NGOs and private foundations at the Forum, see the article in this issue, “Develop Philanthropy Together Through Debate and Cooperation.”]
Develop Philanthropy Through Debate and Cooperation

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Compiled by Liu Haiying, CDB Senior Staff Writer

Translated by Jin Pu and Liu Zhi
Reviewed by Rachel Stern

**Introduction:** This article is part of our special issue on New Trends in Philanthropy and Civil Society in China (Summer, 2011). It records an interesting and important dialogue at the Second Private Foundation Forum held on October 28-29, 2010. In the dialogue, several prominent grassroots NGO leaders and private foundation leaders discuss the disconnect between the up-and-coming private foundations and grassroots NGOs. Given the close relationship between foundations and NGOs in developed countries, why is it so difficult for grassroots NGOs to get funding support from private foundations in China? A few answers emerge from this dialogue. One is that private foundations and grassroots NGOs are relatively new, and growing quickly, in China. Part of the disconnect between these two actors stems from their relative newness. Both are going through growing pains and trying to figure out their missions, roles and development strategies in a difficult political, economic and social environment. Both lack qualified professional staff that are trained in nonprofit management, fundraising, and strategic planning. Foundations often lack confidence in grassroots NGOs to carry out projects, and grassroots NGOs feel overburdened by the planning and reporting required of them from foundations. Ironically, foreign governments, international NGOs and foundations from developed countries have historically been more willing to fund grassroots NGOs in China. A critical question for China’s civil society is whether Chinese private foundations will learn to value NGOs as partners. The views expressed here by the Narada Foundation and SEE suggest that a small number of private foundations do want to support NGOs.

A related problem expressed in this forum is that funding tends to go to projects rather than to funding a NGO’s personnel and administrative costs. The lack of funding to build the organizational capacity of grassroots NGOs is a longstanding problem in China, and contributes to the communication gap between private foundations and NGOs. It’s a vicious cycle. As long as NGOs remain weak, foundations will continue to lack confidence in NGOs. But if foundations are not willing to fund NGOs, then NGOs will remain weak. Again, the views of Narada and SEE show that some private foundations understand what is required to break this cycle. They need to put more trust in the ability of NGOs, and devote more funding to organizational capacity, and not just to projects.

During the Second Private Foundation Forum, Liang Xiaoyan, Secretary General of the Western Sunshine Foundation, chaired a panel entitled "Private Foundations Do Not Lack Money, but Grassroots Groups Do." The issues raised inspired intense debate among the participants, and turned into a heated and in-depth dialogue between private foundations and grassroots organizations during the two-day forum. What follows is an abridged and edited version of the dialogue.

**Panel Participants:**

**Liang Xiaoyan**, Secretary-General, Beijing Western Sunshine Foundation (西部阳光基金会)
**Liu Zhouhong**, Deputy Secretary-General, Narada Foundation (南都公益基金会)
**Meng Weina**, Director, Beijing Huiling Community Services for People with Learning Disabilities (北京慧灵)
**Wang Weijia**, Chairman, SEE Foundation (北京企业家环保基金会)

**Song Qinghua**, Director, Shining Stone Community Action Center (社区参与行动)

**Dou Ruigang**, Executive Secretary-General Tencent Public Charity Foundation (腾讯公益慈善基金会)

**Is there a shortage of funds? Different views emerge**

Liang Xiaoyan: In preparing for this forum, more than one organization raised this issue with the organizers. Some foundations stated, "The year is coming to an end, but many foundations haven’t spent all their money." While NGOs are saying: "We have a real need for funding." Today, we will discuss this disconnect between foundations and grassroots NGOs.

Liu Zhouhong: Looking at the Narada Foundation’s budget over the last few years, there has been a gap between money spent and our planned budget at the end of each year. In 2008, our budget was 18 million RMB, but in the end we only spent 15 million. In 2009, our budget was 22 million, but we only spent about 20 million. In our end-of-year report to the board, we explained the gap by saying that it is better to maintain strict control over quality than to settle for poor results.

From our perspective, it seems we need to adjust our approach. In the beginning, we were too selective. Selecting capable grassroots organizations was especially hard and only a few met our standard. Later we made some adjustments and decided to support organizations that are a bit weaker and improve their capacity through project support. As a result, I believe this year we’ll be able to spend our budget without a problem.

Meng Weina: The Narada Foundation needs to find good projects and I’ve been engaged in a discussion with them about what makes a good project. Organizations like us focus on traditional service provision, but foundations generally emphasize creative initiatives. But I think in a materialistic society, the most traditional and decent services get ignored, and then foundations start acting like the government.

Wang Weijia: We [SEE] are a foundation established under the Alashan Ecological Association (阿拉善生态协会). We do not cooperate formally with any government agency, and only fund environmental NGOs. The number of environmental NGOs operating in China is only about 300, with an average size of just 2-3 full-time staff. The total annual budget for China’s environmental NGOs is about 30-50 million RMB, compared to 3 billion U.S. dollars in the U.S.. This means that Chinese support for environmental NGOs is about 1/1000 of the level of support in the U.S., even though China's GDP is one-third of the U.S. GDP. Our mission is to improve the health of China’s environmental NGOs. We just started last year, and are constantly learning. Last year, our budget was 80 million RMB and this year our total funding is 600 million RMB. We hope that in 5 to 10 years, investment in environmental NGOs rises to a point that matches our country’s level of economic development.

Some Taiwan businessmen feel that we have been too permissive in giving money to NGOs. In our evaluation and review of funded projects, we found that some organizations are small and weak. Our philosophy is that it doesn’t matter how small these organizations are, or how imperfect their management is. Our aim is to learn with them and grow together, rather than accusing them or finding a reason not to provide support. We will continue to fund them and give them space and opportunities to grow.
Song Qinghua: Our organization is called Community Action, and our main goal is to promote public participation in the community at all levels. So far, our organization does not lack for money. But what we lack is money from private foundations. Logically, private foundations and NGOs should really be strategic partners, but why is cooperation so hard? Foundations say it’s hard to find capable NGOs. We feel that it’s foundations that lack the ability to find competent NGOs. We have cooperated with some private foundations, including Youcheng (友成企业家基金会), Vantone (万通基金会) and Narada. During our cooperation, I kept reflecting on why it is so difficult for foundations and NGOs to work together. I finally figured out that it is because NGOs have 20 years of history while private foundations have only been developing for 5 years. We [NGOs] should support their work. Everyone must work together for change to happen.

Dou Ruigang: Looking at China’s development, we are at a stage where we do not lack money. So why do so many NPOs feel they lack funds? It’s because there’s a communication problem between foundations and NPOs. NPOs and foundations share a common goal: to solve social problems. One side provides capital for a purpose and the other side provides solutions to social problems. Both sides have valuable areas in which they excel. But if there is not a good connection between the two sides, foundations will be unable to find good partners and NPOs will be unable to find good funders. [Editor’s note: the speaker here uses NPO (nonprofit organization) instead of NGO (nongovernmental organization) but they are synonymous. In China, NGO can be somewhat sensitive because it connotes an organization that is against the government. As a result, terms like NPO, charitable organization (cishan zuzhi) or public welfare organization (gongyi zuzhi) are often used in place of NGO.]

A lot of NPOs say that they can survive without foundations. But if foundations don’t have NPOs, they will lose their existing value. Foundations should reflect on this point. On the other hand, foundations can go in another direction and become operational foundations that implement their own projects to solve social problems. Both sides need to reflect on this issue. There are many social problems, but few effective and creative solutions and few qualified professionals. So we face a dilemma: private foundations can’t spend their money, and grassroots public interest groups can’t find money.

Looking for solutions in an underdeveloped public welfare environment

Liang Xiaoyan: How should we view the dependence between foundations and grassroots organizations? Just now, Meng Weina raised the question of what makes a good project and whether it is good or bad to provide traditional services in traditional ways. Everyone talks about innovation, but does it mean that if we support traditional services that we don’t support innovation? How much latitude should we leave for creativity? Foundations are engaged in practical work and you need to recognize the reality that grassroots organizations are developing and that money always requires cooperation with people. From that starting point, we can discuss the deficiencies in how foundations are operating. [Editor’s note: Social innovation (shehui chuangxin), and the related concept of social enterprise (shehui qiye), are becoming increasingly popular concepts in China’s nonprofit community. Liang Xiaoyan raises the important issue of whether social innovation really differs from traditional nonprofit work, and whether more value should be placed on innovation.]

Liu Zhouhong: Foundations should not make the requirements for financial assistance too stringent. They should be patient and give NGOs a certain amount of space and time. Support should cover a 3-5 year period before checking in to see if the NGO has improved. In addition, foundations need better publicity as many people don’t know that foundations can
provide funding. Of course, our own capacity needs to be strengthened too. Many of our staff are young and inexperienced. We [foundations] have relatively few staff members, but have many projects to oversee. So, figuring out how to manage projects in a detailed way is also an issue.

Dou Ruigang: Yesterday, I heard an NGO say that every organization has different requirements regarding project planning reports. First NGOs write a project plan, then write up a PowerPoint presentation, and finally fly over to discuss the plan. Then, after the discussion, where is the time to actually do the project? So new public interest organizations can’t get established and the chain of the common good is broken. I suggest that, in the future, foundations stop forcing organizations to write out planning documents. Can one plan cover ten years of funding? If the annual appraisal is good, we can then automatically continue our support.

Wang Weijia: At first, we just provided financial support and we encountered the same problem. This year, we started providing institutional support. What is institutional support? It is that we focus on people, rather than work. As long as we trust you and your team, what you do is not our concern. Environmental NGOs all face the same problem: To get money, they’ll write different project plans for different foundations. An organization with 2-3 staff members does not have the capacity to carry out 5-6 tasks and will be unable to develop. Like a company, an organization can only accumulate experience and develop a team in a specific market niche. So our institutional support is for at least 2-3 years. This year, we have provided 3 million RMB in institutional support, which is an amount equal to our project-specific funding.

If we look at our work as a business investment, no NGO would be able to get support. Right now is like the last ten years in which China’s internet was just starting out. At that time, investors couldn’t tell who would be successful and they had to give money to everyone. Our principle is that we only give money to people we trust. Environmental protection has many aspects and, in a short time, it is not possible to become expert in all of them. We can only rely on people to set the standard, but what can we do if they are unreliable sometimes? My personal principle is to assume that people are good. If I do not know you, I assume you are a good person and give you some money. If you haven’t done anything or bungled the job after six months or a year, you won’t get any more funding from us. At most, we’ll waste a little bit of money, but this is the cost we pay to learn.

Dou Ruigang: We’ve just been reflecting on our own behavior and the most important issue is discourse. A foundation with a corporate background needs to voice its opinion. For example, it has to be effective and seek solutions for social problems. What is a problem we often run into? Hearing people say that social problems are very serious and money is needed to solve them. But the difficult thing is that I don’t see a plan. We are not Buddha, always ready to give money when you are in trouble. In the future, there will be competition between NGOs. Different NGOs will provide different solutions and funders will pick the better plan.

Song Qinghua: At present, the environment for charity is not good. I especially agree with Dou. We need to work and grow together to have a future.

Second, you cannot reject dialogue and our discussions must increase. I may make demands that you say are unreasonable, but you cannot say: “Give me money and leave me alone. Stop interfering.” Like companies and suppliers, we should have a way to communicate in order to better understand each other. Only then can we grow together.
Liang Xiaoyang: There are many ways for foundations to provide financial support. We should ask ourselves, what is currently the most common way to support grassroots organizations? How can it be improved? What challenges will innovation bring to private foundations? Are foundations well-prepared? What about their staff? How can we come up with new ideas to fund the public good?

Liu Zhouhong: The Narada Foundation is a grant-making foundation with a mission to support public welfare. Our research shows that it is hardest for grassroots organization to get financial support to cover staff costs, administrative expenses and small subsidies for volunteers. When we visited Yushu and Xining to investigate, we found out the money that NGOs raise must be spent on projects rather than personnel and administrative costs. As a result, there are more than 2,000 grassroots organizations in Qinghai province, but 80% have no full time staff. So we focus our grants on staff costs, administrative expenses and volunteer allowances. [Editor’s note: Yushu is a county in Qinghai that was hit by an 6.9 magnitude earthquake on April 14, 2010.]

Second, we support capacity building for grassroots organizations. Some organizations say it is very helpful to receive 1,000 RMB to cover transportation and accommodation costs to attend a training program. This is another thing we are doing now.

Third, we believe that project grants alone are not enough. We need to support the growth of organizations and their staff. This year, Narada introduced a new project called the “Gingko Partnership Growth Plan” designed to back young people to do pioneering work in public welfare. “Ginko Partners” will receive 100,000 RMB per year for 3 years. This money can be used to subsidize a salary, living expenses or professional development, like opportunities to take courses, visit other places or study other models. The Narada Foundation also has other plans for complementary activities to meet this common need.

Wang Weijia: In cooperation with several universities, we have launched a green partnership leadership plan. Last year, we trained 57 leaders from 36 environmental organizations. In 200 universities we also have a program called “Green Country, Green Cities” to encourage college students to enter a career in environmental protection. We have also funded about 100 environmental organizations in universities. The next step we are considering is to offer college graduates start up capital if they want to choose a career in the environmental NGOs sector. Right now, there aren’t many people in the field, especially talented young people. In addition, we have supported many intermediary organizations, including training institutions. In a relatively short time, we hope that we can create a good environment for grassroots environmental protection.

Liang Xiaoyan: Private foundations and grassroots organizations are a critical link in public welfare and our common mission is to improve Chinese society. We have been talking on and on about projects, but we have to bear in mind that our cause has another function that can’t be ignored. Although we do one specific job after another, we are creating a new society in China. The goal of a new society requires us, not to go about doing projects and complaining about each other, but to find a deeper common purpose and a clear idea of how to realize that goal.

Note: In the afternoon discussion on the second day, the topic of foundations being unable to spend their money came up again. But in the small group discussion, very few NGOs said they had worked with private foundations and no foundation admitted to having money they were unable to spend. In the end, the chair had to step in to say that it might be a false to assume that foundations are having difficulty spending money. Of course, he mentioned that
there is also another possibility: foundations do not want to admit they are unable to spend money. In addition to the reasons raised in the round table discussion, other causes for the problem also came up in small group discussions. Some foundations think that inability to spend money is related to having too many “mother-in-law” organizations, a reference to government supervising agencies that may interfere in funding decisions. These agencies have different priorities from foundation leaders and boards, and the foundations have to respect their opinions. If disagreements [between the two sides] arise, it can be difficult to make grants.

Moreover, foundation boards, which consist of investors, experts and sometimes entrepreneurs, may also disagree. In small group discussions, some foundations said difficulty spending money was due to difficulty reaching agreement among these different parties. Also, private foundations may not be in a hurry to spend money.
The Third Way of NGOs in China: An Interview with Narada Foundation Secretary-General Xu Yongguang

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Reviewed by Kara Jenkinson

Introduction: This article is part of our special issue on New Trends in Philanthropy and Civil Society in China (Summer, 2011). It records an interview with Xu Yongguang, Secretary-General of the Narada Foundation, and arguably the most important figure in the world of Chinese philanthropy. Xu is the leading force behind the effort to strengthen the transparency and regulation of the foundation sector, and encourage foundations to support China’s nascent civil society sector. In this candid interview, Xu recognizes the key contribution of international funding in seeding the growth of grassroots NGOs in China, but he is also critical of international funders for promoting a “grassroots ideology” of independence and autonomy among NGOs. For Xu, the result of this ideology is that NGOs tend to distrust the government and do not work effectively with it.

He lays out three paths for the future of NGOs. The first is GONGOs developing into more independent NGOs which he does not see happening because GONGOs are too dependent on the government. The second is grassroots NGOs continuing to develop independently while relying on international funding. He believes this is a dead end as well. The third is grassroots NGOs cooperating with the government. Xu believes the brightest future for NGOs lies with this third path.

Xu also gives his views on the fast growing private foundation sector, in which he is a key player. He is cautious about the future of private foundations, noting that they are still at an early stage of development. Many have not created governance structures independent of the corporation or entrepreneur funding the foundation. Many also are unclear about their direction and priorities. He is also cautious about the possibility of private foundations supporting grassroots NGOs. Noting that public foundations control most of the public donations in China, he argues it may be more important to convince these types of foundations to support NGOs. There are encouraging signs that this is starting to happen when the Chinese Red Cross offered funding to grassroots NGOs for the first time after the 2008 Sichuan earthquake. Xu and a few other foundation leaders are also creating initiatives like the China Private Foundation Forum, and the China Foundation Center, to strengthen self-governance and transparency in the philanthropy sector and encourage greater cooperation between foundations and NGOs.

Xu Yongguang has been engaged in NGO activities for nearly 20 years and is an industry legend who has moved from public to private foundations. In 1988, he left his post as head of the Communist Youth League’s Organization Department. Using RMB 100,000 in registered funds, he set up the China Youth Development Foundation (中国青少年发展基金会), and created Project Hope (希望工程), now the most influential public welfare brand in China.

In 2007 he founded the Narada Foundation (南都基金会), which aims to improve the environment in which migrant children are raised. It’s been referred to as Xu Yongguang’s
“Second Project Hope”. Xu’s experience over the last 20 years has led him to suggest that, for the moment, “cooperation” [hezuo zhuyi] should be the main development path for China’s grass-root NGOs.

Xu is also the man behind the “China Private Foundation Forum” (中国非公募基金会发展论坛) which was held on July 3, 2009. In the run up to the Forum, China Development Brief (hereafter, CDB) secured an exclusive interview with Xu. As the Vice Chairman and Secretary-General for the Narada Foundation, Xu Yongguang feels he is responsible, not only for building an organization, but also for promoting cooperation within the public welfare sector, in particular bringing together foundations with organizations that carry out projects. This, he hopes, will also promote self-regulation within the sector. The Forum is one in a series of activities this year intended to promote such cooperation.

CDB: The emergence of private foundations has provided another resource for domestic NGOs. After the Sichuan earthquake which struck on May 12th, 2008, the support that Narada Foundation (from hereon called Narada) and YouChange Foundation (和友成企业家扶贫基金会) provided to grassroots organizations made Chinese NGOs proud.

NGOs worry about fundraising, while foundations are concerned about finding worthwhile projects to fund. Recently, this prompted some organizations to challenge the funding guidelines of some large international foundations. What do you think are the similarities and differences between private foundations and international foundations when it comes to funding?

Xu Yongguang: I have never specifically researched the actual funding guidelines of international foundations, but it is my understanding that, in general, the project to be funded needs to be aligned with the foundation’s mission. For example, the mission of certain foundations is to promote the development of grassroots organizations, so when they are selecting their projects they will probably first analyze whether it matches their requirements and at the same time consider whether they can help the organization to develop. There are also some foundations which, when selecting projects to fund, tend to choose more well established organizations. Everyone has a different focus. [Editor’s Note: By “organizations”, Xu is generally speaking here about nonprofits or NGOs.]

As for Narada, we don’t consider being well established as a condition for funding, because China’s well-established organizations are extremely few in number. Our main requirement is that the project is exceptional and, at the same time, we hope that our funding will help the organization to grow, thereby drawing together the development of the project and the organization. Organizations who apply to Narada for funding can be registered with Civil Affairs, or registered as a business, or even not registered at all, although funds must of course be transferred through formal institutions. [Editor’s Note: Xu’s approach here is quite distinctive and bold in that he is willing to fund not only registered NGOs, but also unregistered ones, which can be quite sensitive.]

CBD: For many years, Chinese grassroots organizations have mainly relied on “milk” from international foundations for their survival. You mentioned before that this kind of external funding sometimes comes with “hormones,” which can cause premature development among NGOs. What do you see as the advantages and disadvantages of this premature development among domestic NGOs?

Xu Yongguang: First, I want to say that the support given to Chinese grassroots organizations by international NGOs in the last 10-20 years has been indispensible. The development of
domestic NGOs has long been hampered by problems with legitimacy and a lack of resources. Without foreign funding, China would not have grassroots NGOs.

At the same time, foreign funding has caused unbalanced development among grassroots organizations. It’s as if their arms and legs are not strong yet, but their brain is already fully developed. When they receive foreign funds, they get a bit ahead of themselves in terms of their objectives, principles and even their language. I’ve actually encountered a few grassroots organizations that like to use new vocabulary, to the point where I don’t even really understand what they are talking about. How then will the government understand what they are talking about? How will the public understand? [Editor’s Note: Xu makes an interesting point that international influence on grassroots NGOs may have made them too “international” and thereby less acceptable to the Chinese government and public.]

I actually feel that grassroots organizations often do not cooperate well with the government. If you cannot build good relations with the government, you will not be able to enjoy the support from the government or gain access to their resources. It will then be difficult for you to do good work. Of course, we also have the problem of the government not trusting grassroots organizations. However, I can say with authority that more than 99 percent of grassroots organizations are out to do good work, so I really think the government should have more confidence in them.

CDB: Since you say that foreign funding of NGOs has lead to imbalanced development, then what would you say is a more suitable development path for local Chinese NGOs based on your 20 years of experience?

Xu Yongguang: Under the government’s guidance, there could be, or you could say there are, three possible routes for the development of Chinese civil society.

The first route is the mainstream approach, “from GONGO to NGO”. Under the dual management system, the majority of NGOs have a strong governmental influence. However, over the last 20 years, very few organizations with a government background have completed the transformation from GONGOs to NGOs. [Editor’s Note: Xu is referring here to the possibility of government-organized NGOs (GONGOs) evolving into NGOs (minjian). In noting that very few GONGOs have made that transition, he is obviously skeptical that civil society will emerge via this path. The dual management system he refers to is the system used to manage social organizations registered with Civil Affairs. Under this system, social organizations need a government sponsor to register. This system puts them under the supervision of two agencies or “mother-in-laws”: Civil Affairs which is responsible for their legal registration, and the government sponsor which supervises their professional affairs. Generally speaking, organizations with some kind of government backing have an easier time finding a government sponsor. Not surprisingly, many of the social organizations that have gained legal status under the dual management system have been GONGOs not grassroots NGOs.] The result is that the strong are getting stronger and monopolizing public donations. For example, following the Sichuan earthquake, several billion in donations went to charities with strong governmental support. Meanwhile, the weak get weaker, as the strong consume resources and fritter away a fortune. These GONGOs tarnish the reputation of NGOs staying in business when they should be closing down. [Editor’s Note: Xu is referring to the fact that only a few organizations and charities – all GONGOs like the Chinese Red Cross and China Charity Federation -- were authorized to accept public donations after the earthquake. As a result, they received the vast majority of the public donations which hit record levels in 2008.]
An important marker of GONGOs evolving into NGOs is a gradual move toward independence, with the board of directors becoming increasingly involved in decision-making. Of the three most important decision makers in NGOs -- the board of directors, the business manager and the program implementers -- the board of directors should be the most important. However, the reality in most GONGOs is quite the opposite. The government is first, the program implementers are second followed by the board of directors.

Here we are faced with another problem -- the position of popular (minjian) public welfare charities in the eyes of the government. It is not accurate to say that charities are seen as part of the social security system. The government handles social security, while charity work is conducted by NGOs (minjian). If you confuse the difference between these two and classify NGOs as a part of the social security system, then you change their legal status as a NGO. Moreover you also change the way in which the government attracts public donations and monopolizes public resources. [Editor’s Note: Throughout his interview, Xu uses the Chinese term “minjian” for which there is no good English translation. I use “popular”, “among the people”, or “nongovernmental” where appropriate.]

Some of the large foundations and public fundraising organizations accept donations from the public, but at the county level, government departments handle all donations and all their staff (including those who work for All-China Federation of Trade Unions, Communist Youth League, Women’s Federation, Civil Affairs and Red Cross) are civil servants. The reality is that this situation strengthens the government’s control over resources.

This phenomenon was not our original intention. At the time, we thought setting up foundations would increase the power, space and resources for NGOs. The 1988 Foundation Regulations clearly stipulated that foundations were to be non-governmental (minjian). However, over the last 20 years, GONGOs have yet to make the transition to NGOs. [Editor’s Note: It’s unclear who Xu is speaking for when he uses the term “we”. This may be Xu’s interpretation of the government’s intention, rather than the interpretation of the government leaders themselves.]

The second route, I refer to as the “grassroots path,” or as some have mentioned in a more critical tone, the “grassroots ideology.” Some say that the cultivation of a civil society should rely on grassroots organizations, but China’s distinctive feature is that the government is dominant, and civil society is constrained by a shortage of funding and difficulties obtaining legal status.

As a result, I think the capability and adaptability of grassroots organizations is still insufficient. The leaders of many grassroots organizations cherish socialist ideals that I really admire, but their problem is that they do not know how to deal with the government.

There are some excellent grassroots organizations that have developed in the last 20 years, and have had an impact both domestically and internationally. However, they have not been able to register their organization, but this is also partially their own fault. They should make more of an effort to register. They should be less rigid, be humble, use their contacts, even socialize. It’s always possible to find a way to register. Some organizations are well known for not being willing to register at the local level, but then are unable to register at the national level. The Alashan Society of Entrepreneurs and Ecology (SEE, 阿拉善生态协会) got around this problem. They registered in Alashan, Inner Mongolia, but who will stop them from working in Beijing? Who will stop them from operating nationally? Privately run enterprises know how to be flexible. That is something NGOs need to learn.
In today’s world, where money means power and public office is used for private gain, why can’t grassroots organizations find a way to use public office for public gain?

If the grassroots path becomes the grassroots ideology, then it will turn into the same dead end as the first path. Grassroots organizations cannot solve their legitimacy problem and thus their basis for existence is extremely weak.

The third path, which should be the mainstream one, is “cooperation” (hezuo zhuyi).

To do anything in China, you really need a deep understanding of this country’s culture. Under a strong governmental system, only cooperation can become the mainstream development path for NGOs.

During the post-disaster reconstruction, a few trends emerged. With the government facing extremely unusual social problems, this period became a turning point. Under normal conditions the government is highly competent at dealing with social problems. The Sichuan earthquake, though, was a very unusual situation and the government could not handle everything on its own. It needed the help of NGOs.

Narada and the Chinese Red Cross Foundation (红十字会基金会) collaborated in An county, Sichuan to establish a social service center. Within six months of the center being established, the deputy county head said to me, “The goals of the social workers and the ‘harmonious society’ objectives of the government are the same. But when it comes to the government, some people take an antagonistic attitude and demand exorbitant prices, while most people feel that social workers are one of them.” He went on to say that the government has so many resources, and should do more to support NGOs in order to move closer to achieving a harmonious society. [Editor’s Note: The term “social worker” is used here to refer to NGO personnel and volunteers.]

NGOs and the government are unanimous in wanting to build a harmonious society.

In China, NGOs not only want to act, they want to accomplish things. Only then can they prove that NGOs are on the right path. However, even with such high expectations, NGOs cannot overextend themselves and end up producing substandard results. They need to get it just right, keeping one or two steps ahead of the tide. Then they can produce twice the result with only half the effort. If they lag behind current trends, they will end up wasting resources. There are many such organizations, most of them GONGOs that depend on the goodwill of the government. Some public foundations go all year without raising a penny in donations. What good are they? [Editor’s Note: Xu reserves his harshest criticism for the category of social organizations – GONGOs and public foundations – with close ties to the government.]

I have walked all three of these paths before. The China Youth Development Foundation has evolved from a GONGO to a NGO and has been walking the grassroots path for a number of years now. In Beijing there are also a few New Citizen Schools (新公民学校) that are going the grassroots route, but are facing difficulties. At present, New Citizen Schools are cooperating with local governments, including those in the post-Sichuan earthquake reconstruction areas. It is going smoothly, really a win-win situation. However, co-operating with the government is a process. Of course there will be conflicts of interests, but both parties will soon discover that they have much in common and then opportunities for cooperation will follow. [Editor’s Note: The New Citizen Schools is a new nonprofit brand that Narada is promoting in different parts of the country as a means of widening access to education for migrant children living in the cities.]
**CDB:** I saw the news about Narada’s New Citizen Schools planning to open schools in Ningxia this year. Is this only one part of your project? Have these last three years gone according to plan?

Xu Yongguang: What we are launching in Yinchuan, Ningxia is a model whereby we can co-operate with the government to establish schools. So far, Narada is providing RMB two million in funding and the government is providing RMB 21 million, as well as over three hectares of land. The government will also subsidize the education of migrant children who attend New Citizen schools. At the same time, New Citizen Schools can mobilize social resources whereas public schools cannot raise money from the public for migrant children. A leader in the Yinchuan Education bureau told me, “The education of migrant children is essentially the government’s responsibility, but now you are helping them out.” This is the underlying motive behind co-operation between the government and the private sector.

In the future, when Narada works with the government to build New Citizen Schools, Narada’s main contribution will be the branding, the public welfare projects and the management, while the government’s main contribution will be funding.

**CDB:** During the response to the Sichuan Earthquake, Narada provided RMB 10 million to NGOs for disaster relief and to aid reconstruction. As of November 28, 2008, you had approved 62 projects. Where is the key work being done this year?

Xu Yongguang: Narada’s key work at the moment is to provide support to NGOs on the ground in the disaster zone. We are striving for specialization, long-term commitment and localization.

NGOs should provide long-term assistance to the post-disaster reconstruction according to their specialization. We consider two points when providing funding; the first is that relief organizations cannot just be “paratroopers”. You must consider this when you are providing emergency relief and disaster assistance after a catastrophe. Organizations cannot just provide emergency aid and then leave. So at the moment Narada is helping a few organizations to register in the area.

The second point is specialization. Promoting specialized social organizations is the next most important step. The government is really keen on, and society really needs, social services to develop in line with the demands of the disaster zone. We are currently collaborating with the China Association of Social Workers () to make it easier for social service organizations to register, and to secure funding for expertise and sustainable development with the support of the government.

**CDB:** 15 years ago, you outlined eight “hidden dangers” for Project Hope. What would you say is the biggest hidden danger for private foundations right now? Private foundations in China are funded by entrepreneurs, but given that many Chinese lack a clear understanding of philanthropy, do you think entrepreneurs may interfere?

Xu Yongguang: Private foundations have developed very fast and I used to have very high hopes for them. I once wrote a paper called “Private foundations: carrying the hopes of China’s third sector,” but now I think I was overly optimistic.

I often say that the success of private foundations is guaranteed. They really hold all the aces! The biggest barrier to their development has been removed in that they can legally register and become independent organizations. Secondly, they have funding and can support the
growth of grassroots organizations, and thirdly, they now have what it takes to attract a professional staff.

However, there are also “hidden dangers” for private foundations, the biggest being the governance structure. While they have the option of developing into independent entities, the majority still has not done so and is still a subsidiary of the company. GONGOs at least have the appearance of being independent as they have an organization with a staff of full-time personnel. Private foundations are often unwilling to set up a separate governance structure. It’s more convenient for the company to appoint a few people to do extra work [than to hire full-time, professional staff.] Private foundations need to place more importance on establishing a decision-making system with a board of directors and not the entrepreneur as the main decision-maker. The second problem is how to use your money. Should you train your own people to carry out projects, fund grassroots organizations to do them, or even donate the money directly to public foundations? [Editor’s Note: Xu reveals here that many private foundations still lack a clear sense of direction. They are not sure if they want to be grant-making foundations giving money to NGOs to carry out projects, or operational foundations that fund and carry out their own projects.]

CDB: What do you and others in the private foundation world think about improving self-regulation and raising your credibility? What work have you already done in this area?

Xu Yongguang: This time more private foundations are sponsoring the “China Private Foundation Forum,” which is designed to set up a platform for exchange and co-operation between government departments, learning institutions and public welfare organizations. It is also aimed at improving the self-regulation of private foundations. There are two themes at the forum, management and the distribution of finances, mainly to address the two problems I mentioned before.

At the same time we are also working out the industry norms for self-regulation, which will be announced at the forum. In the future we plan to establish a self-regulating alliance for the industry.

The private foundations development forum’s mission statement is communication, cooperation and development. If in the future we are going to enter into a self-regulating alliance, then we need to have strict entry requirements and the logo of the organization needs to show this. [Editor’s Note: On the China Private Foundation Forum, and the issues and debates that emerged in the forum, see the following articles in this issue: “Changes in the China Charity Federation System”; “Different Opinions at the Second Private Foundation Forum”, and “Develop Philanthropy through Debate and Cooperation”]

CDB: In your collection of edited books researching the third sector, the book Mobilization and Participation analyzes the fund-raising mechanism for Project Hope. The way in which market operations and administrative mobilization combined to achieve a national transformation really left a deep impression on us. Regarding public fundraising for the Sichuan earthquake disaster, we observed that these mechanisms for mobilization still play an important role. In particular, fundraising went through three main channels: the Chinese Red Cross (紅十字會), the China Charity Federation (慈善总会), and the Civil Affairs departments. However in the mid- to long-term, do you think the donations private foundations can raise will be enough to support the growth of NGOs?

Xu Yongguang: That is a hard question. First, private foundations that fund NGOs are still in the minority; the majority continues to implement their own projects. As a result, there is not enough support for grassroots NGOs and this will take time to change. In addition, public
foundations are still the main source of public welfare funding for NGOs, if we want to fundamentally improve funding for grassroots NGOs, we have to change the funding orientation of public foundations. When public donations to public foundations reached a peak after the Sichuan earthquake, the Chinese Red Cross was the first to openly invite bids from grassroots organizations for post-disaster reconstruction projects. The effect was excellent. Not only did it provide funding and support to some great projects from a number of outstanding grassroots organizations, but as a result of this effort, the Red Cross also published a list of the “Top Ten Chinese Social Organization Events in 2008.” The Secretary-General of the Chinese Red Cross Foundation said, “The social effects of this RMB 20 million tender have exceeded those of RMB 600 million in donations. We are hoping that greater co-operation between public and private foundations will become a pillar for sustainable funding for grassroots NGOs.
Introduction: This article is part of our special issue on New Trends in Philanthropy and Civil Society in China (Summer, 2011). It records an interview with Zhuang Ailing, then the new CEO of the just-established China Foundation Center (CFC4). The CFC’s founding stands as one of the biggest events in China’s philanthropic sector since 1949. Zhuang talks about how the CFC came about, its legal status and operations, her own background and views on heading the CFC, the differing expectations and views of the CFC held by various social groups, how the CFC seeks to promote transparency in the foundation sector and the various challenges they face. Zhuang concludes by describing the CFC’s emergence as part of a natural historical process of rapid growth in China’s foundation sector, as well as of contradictions emerging from that growth. She sees the CFC’s role in addressing those contradictions as critical to the healthy development of philanthropy in China.

"I've done a lot of strategic planning, and this was the shortest. From the initial communication to the time the Board adopted the plan, it only took 9 days."

This exclusive interview was conducted by “China Development Brief” at a Jianguomenwai apartment with Zhuang Ailing, President of the China Foundation Center (hereinafter CFC, www.foundationcenter.org.cn),

Perhaps it’s her disposition that makes Zhuang Ailing’s words sound calm and gentle, and allows her to laugh easily from time to time, with no sign on her face that she just went through a busy, tense preparatory process. Zhuang, and a small working group, had only three months time to get everything done to meet the CFC board’s July 8 deadline. Preliminary investigations and consultation with stakeholders, recruitment of staff, setting up teams to construct collection systems... ... she and her team have come a long way. Now, they have begun the traveling "road show", visiting the sponsoring foundations, strengthening relationships, promoting the website, seeking feedback and urging the sponsoring foundations to submit relevant information and to show initiative in fulfilling their commitment to transparency. [Editor’s Note: The sponsoring foundations were the CFC’s founding members and consisted of 15 public and 20 private foundations.]

Zhuang Ailing is optimistic about the CFC’s future prospects. Taiwan has roughly 23 million people and about 5,000 foundations [or one foundation per 4,600 people]. The United States has about 300 million people and 100,000 Foundations [or one foundation per 3,000 people]. In contrast, China’s population is 4 times that of the United States, and the number of Chinese Foundations is less than 2,000 (or one foundation per 650,000 people). "During the next 3 to 5 years, the number of China’s Foundations will grow from 2000 to 5000, and during the next decade, it may grow to more than 10,000. Imagine how much work the CFC has ahead of it!"

4 Not long after this interview, Zhuang resigned as the CEO of CFC.
The Historical Context

In 1998 the China Foundation and NPO Information Network (中国基金会与NPO信息网) emerged to promote information-sharing between foundations and other nonprofit organizations in an effort to strengthen their credibility. In 2001 the organization changed its name to "Beijing Enjiu Information and Consulting Center" (北京恩玖信息咨询中心), and registered with the Beijing Civil Affairs bureau in 2009 under the name Enjiu Non-profit Development and Research Center (hereinafter, Enjiu). Enjiu’s main function was to establish the CFC which was known then as the Foundation Center Network. After the sponsoring organizations met to arrive at a consensus, the CFC relied on Enjiu to develop activities and entrusted Enjiu’s board of directors to act provisionally as the Network’s board. In addition, Enjiu would lay the groundwork for the eventual registration of the CFC, and the election of its board of directors. The CFC’s role was to serve as the platform for information disclosure, and a support and services center, for the foundation industry.

Registration and Operation of the CFC

When I asked Zhuang about the legal registration, she said that feedback from the Ministry of Civil Affairs (MCA) was positive, but first they wanted to take care of a few more things to wait until the time was ripe to re-register. The CFC still needed 2-3 years to develop into an influential, professional and recognized web portal for the industry — if they had started to register too early, it might have backfired. Of course if there had been an opportunity, they would have registered in advance. As early as 1998, the CFC had in fact already registered a number of domain names that are currently on record with the Ministry of Industry and Information Technology. The organization and the website are now both legal, and it’s unlikely that there will be any problems. [Editor’s Note: The discussion in the above two paragraphs shows the CFC going through various names and organizational identities. It uses the name CFC, but is not registered under that name. Legally, it is part of Enjiu which is registered with the Beijing Civil Affairs bureau.]

The CFC’s founding members consist of 35 foundations (15 public and 20 private foundations). Nine of those foundations serve on the CFC’s board of directors which numbers 11 and includes two scholars: Professor Kang Xiaoguang, director of the Nonprofit Organization (NPO) Institute at Renmin University, and Professor Li Qiang of the School of Humanities and Social Sciences at Tsinghua.

The foundations on the CFC board provide funding and personnel support. The CFC management came over from the founding members, while the rest of the staff consisted of external hires. In terms of developing the website content, there are five people responsible for gathering news, and five who gather and input information into the CFC's database. Technical support is provided by an outside company.

In terms of funding, Narada Foundation (南都基金会) gives one million RMB annually. Supporting leading organizations in the foundation sector is one of Narada’s three main strategies. The Amity Foundation (爱德基金会), China Youth Development Foundation (中国青少年发展基金会) and China Foundation for Poverty Alleviation (中国扶贫基金会) are established [public] foundations and have been promoting the transparency in the foundation industry for several years. These organizations, in addition to the Chinese Red Cross (中国红十字会), contribute 200,000-500,000 RMB each year. The Social Entrepreneur (or YouChange) Foundation (友成企业家扶贫基金会), Vantone Foundation (万通公益基金会),
and the Tencent Charity Foundation (腾讯公益基金会) are new additions to the board, and donate 250,000 RMB each year. On the technical side, Microsoft provides the necessary software and Cisco is donating online learning systems, and providing technical support. In addition, the Ford Foundation has provided funding for two years. [Editor’s Note: YouChange, Vantone and Tencent are all private foundations.]

A Personal Transition

“What was my first reaction to being hired as the CEO of the Center Network? I wasn’t surprised. I’d already heard that the board was conducting a search and pulling together a list of promising people and evaluating each person. I was honored to come out at the front of the list. The reason was probably because I’ve been working in this area for a long time, and the board knew that I had connections. I had worked for ten years at the Amity Foundation, my Ph.D. thesis researched foundation capacity building and development, I founded Green Reflection (映绿), a community development center that works to include foundations in capacity building for public welfare organizations. Also, in 2001 I started volunteering at EnJiu where I participated in planning a conference on NPO capacity building, planned a conference about building public trust, compiled teaching materials and job training work. For the past few years I’ve been carrying out consulting and training to encourage some foundations to move towards a grant-making model.”

“Since Green Reflection was founded in 2004, every day has been overloaded with work. Last year, when the first term of Green Reflection’s board came to an end, I chose to continue on as chair of the board, but not as the executive director. Green Reflection’s board hired an executive director from the outside to oversee daily operations and management. I needed to give myself some time to think things through, to give some consideration to the future development of Green Reflection, and also to spend some time with my family, especially since my son will be taking the university entrance exam next year. Unexpectedly, I am now busier than ever—I’ve turned into an “amphibious” person on the fast train from Beijing to Shanghai,” she says with a laugh. [Editor’s Note: Zhuang was previously based in Shanghai and, after being hired to head CFC, was shuttling back and forth between Shanghai and Beijing.]

“People ask me, what is the difference between working at Green Reflection and CFC? I worked five years in preparation for Green Reflection, and it was a personal dream. After the launch we got a lot of response and recognition from the industry, and many well-known people in the industry were willing to come on to the board of our small organization. I was very moved. The board’s early expectations of me were not very high, and that gave me a lot of space to explore and gradually grow. The main line of Green’s development is clear, but our resources are very limited. “

“The CFC is different. From the outset, there has always been a large structure in place. On the one hand, the main direction is clear. On the other, you have many famous and influential foundations involved, each with different but very high expectations. CFC’s impact is large, and so is the driving force behind it. Our high-profile launch also generated high expectations throughout the sector for CFC.

I also had some misconceptions about CFC early on. I thought the CFC website was only part of my work, and that I would be working on other areas including foundation capacity building and other services. But [then I came to realize that] our main service is the publication of information, and the website is the core of our business. But my role will not be so much to manage the website as it will be to [use the website to] promote the industry’s
credibility and development. That will be a new challenge for me, and involve some learning on my part.

Of course, after laying down the information infrastructure, the foundation will provide other services, but it needs to do so in stages. Information is the CFC’s life blood. For those who push for information transparency, the CFC needs high-profile appearances to arouse the concern of the community. At our July 8 launch, 30-40 media outlets came and, within 2 weeks, released nearly 5000 different news reports online [about CFC]. I predict when the Beijing University Center for Civil Society Studies names the "top ten civil society events in 2010", the CFC opening will be somewhere among the top three.

It’s easy to have high hopes about creating something, but making this hope a reality, and not just a flash in the pan, is going to be a challenge for me and my team. “

Expectations Shaped by Different Needs

Zhuang went on to discuss the different agendas and interests held by the foundations sponsoring CFC. “Public foundations which have more influence and a long history of public fundraising, hope to expand their influence through the CFC platform, including getting more support for their own fundraising initiatives. The smaller private foundations, which are not allowed to engage in public fundraising, face little pressure to fundraise, but they also want to enhance their social prestige and influence. Some of them have capacity building needs, and want to use our services to develop more quickly.

“The scholarly community is the CFC’s most direct beneficiary, and so their feedback has been positive and active. In the past, when scholars looked for information about foundations it was very difficult because you needed to look at many sites. At present, the CFC is still a very broad "information supermarket", but over time and with the growth of the team’s capacity, gradual improvements will be made in the information database. The website can be used to compare donations, net asset value, and other factors across different provinces and sectors, and provides more than 20,000 items of historical and current news relating to foundations.

“Grass-roots NGOs have high expectations for the CFC. In communicating with NGOs, we found they lacked resources. Government bids for public projects were often limited to traditional philanthropy, and took into account factors such as the organization’s registration, evaluation, capacity, and influence. As a result, grass-roots organizations had a difficult time competing. Corporate donors generally take into consideration the social and media resources and social impact of grassroots organizations. Therefore, grassroots NGOs want to use our website site as an industry platform both to learn more about foundation resources and to showcase themselves. We also plan to provide personalized services for the public welfare sector, including capacity building and personnel development to meet their needs. Since the foundation sector’s information systems lag behind other industries, we may also provide website support to small foundations.

“The government is now carrying out its annual inspection and writing up its annual report on the foundation sector. But the CFC website provides even more information. For example, the Shanghai NGO Management Bureau can use the CFC database to understand how Shanghai foundations rank nationwide in areas such as donations, activities, and net assets.

“We’ve created a list of China’s 100 Largest Foundations that ranks both public and private foundations in terms of their net assets, donations, public welfare spending, and so on. We
also have an information center where you can view daily news collated from more than 400 foundation websites.

“In the future the CFC will also provide other information resources. At the end of the year we will publish a report analyzing the development of China’s foundations. The report’s objective is to provide a detailed understanding of the current state of China’s foundation sector based on industry data.

Promoting the Government’s Disclosure of Information

“Currently, the main information source for the CFC is the Ministry of Civil Affairs’ (MCA) publicly-released information and annual reports. The CFC’s publication of government information plays a catalytic role. Before July 8, only the MCA departments in Beijing and Shanghai made public their annual foundation reports. After July 8, the CFC will gradually add more publicly-available information on foundations in other provinces. Some of this information is on the website of the Ministry of Civil Affairs, where you can find foundation annual reports and some basic information open to the public. The recent increase in information made available to the public by the government has been significant and is a particularly welcome change, and we look forward to seeing more information. Of course, making this information public will take time. The number of annual reports that we’ve collected so far (a total of 1601) is already triple the number we had at the time of the website’s launch. But only a small number of foundations have reported information for the 2005-2009 period. [Editor’s Note: In recent years, the Chinese government has been promoting information disclosure at both the central and local levels in order to strengthen transparency and good governance.]

Sponsoring Foundations Set an Example

Shang Yusheng, one of the driving forces behind the CFC, once said: “The process of the CFC pushing for the industry’s self-regulation is more difficult than accession to the WTO.” According to Zhuang, “[The challenge] is not just about the CFC promoting transparency in the foundation sector. It’s also about promoting the idea of transparency in society as a whole. Foundations may know about the CFC, but are surprised to find their financial information published on our website. They ask us how we were able to obtain their foundation’s financial information, thinking that they submitted the information for the government’s eyes only. Many foundations do not realize that donations are a resource belonging to the public, not just the donor or recipient. According to the MCA’s "Measures for Managing Foundation Information Disclosure", foundations are public bodies with an obligation to disclose information to the public, not just the government.

“In addition to government sources, some information came from the foundations themselves. For example, starting in 1995, the Amity Foundation began disclosing its financial information in its annual report which is available on its website.

“Our current emphasis is to promote the CFC’s core sponsoring foundations as models, asking them to submit basic, financial, project and donation information. From late August on, we visited more than ten of these foundations to introduce them to the CFC’s resources. These visits also had the effect of encouraging them to disclose information as soon as possible.
Why 2010?

“Why was the CFC established in 2010? First, the concern with strengthening the credibility of the foundation sector did not just start this year. Some of the large foundations started to push for this 20 years ago. The CFC is the culmination of a long, gradual process.

“Second, this is the result of foundations having developed to a certain level. After the “Regulations on Foundation Management” were issued [in 2004], the public, enterprises and individuals were given more space. After 2005, new private foundations emerged, changing the environment for foundations which had previously been established by the government. After the Wenchuan earthquake, foundations began to receive a large number of donations. After 2008, newly-emerging foundations began to grow in scale. When I wrote my doctoral thesis in 2000, the number of foundations whose net assets exceeded 10 million RMB was very small, and only three foundations had net assets that exceeded 100 million. Now some 45 foundations have net assets exceeding 100 million RMB, and now some foundations with tens of billions in net assets are appearing. As a result, public concern about the credibility of foundations has increased, and people have begun asking hard questions about how charitable funds are being used. In 2005, private foundations initiated a self-regulation movement, and in 2009 they held a forum. The industry’s self-regulation movement has, at an early stage, benefited from the foresight of people with high ideals, and has already gained the consensus of those in the public welfare industry. (Editor’s Note: Zhuang is referring to the Private Foundation Development Forum which was first held in July 2, 2009. On the forum, see the following articles in this issue, “Changes in the China Charity Federation System”; “Different Opinions at the Second Private Foundation Forum”, and “Develop Philanthropy through Debate and Cooperation”)

“The third reason is that the public is beginning to be aware that it has choices. Whoever is transparent will be chosen. In addition, grassroots NGOs hoping to apply for government procurement projects also need to improve their transparency and standardize their operations. The entire public welfare sector needs to address the issues of transparency and self-regulation if it wants to move forward. The CFC is, thus, the result of the industry experimenting, engaging in action, and responding to society.

“China is in the process of creating a modern public welfare culture. Transparency will promote good governance, efficiency, and the standardization of an organization’s operations. The CFC wants to promote a healthy and transparent public welfare mechanism and public culture. We see the next decade as a critical decade for the development of our sector.
The One Foundation and Society for Entrepreneurs and Ecology (SEE) as “Shell” Foundations

China Development Brief, No.44 (Winter 2009)
Wang Hui, CDB Staff Writer
Translated by Betsy Shieh
Reviewed by Joyce Hau

Introduction: This article is part of our special issue on New Trends in Philanthropy and Civil Society in China (Summer, 2011). It provides a glimpse into the fluid, shifting nature of organizations in China. The One Foundation case highlights a peculiar feature of Chinese philanthropy that arises because private (literally: nonpublic fundraising) foundations are not allowed to engage in public fundraising. Instead they must depend on donations through private channels, such as a major gift from the corporate founder of the foundation. To be authorized to raise funds publicly, private foundations would need to be registered as a public (literally: public fundraising) foundation, but the requirements for a public foundation are higher than that of a private foundation. Moreover, because most public foundations tend to be GONGOs, many believe it is difficult to gain public foundation status without government connections. As this article shows, organizations set up by private individuals -- even celebrities as well-connected as Jet Li, the martial arts action star -- have a difficult time acquiring public foundation status. Some organizations are able to work around this obstacle by creating a “special fund” within a public foundation. Using this “special fund” mechanism, these organizations are able to raise funds publicly as long as they abide by the 2004 Regulations on Foundation Management that govern public foundations. (On this same topic, check out another article in this issue, “Grass-roots NGOs go through Special Funds to Raise Resources”.)

The follow up to this story is even more interesting. In September of 2010, about a year after this article was published, Jet Li attracted media attention when he made a statement on CCTV that his three-year contract with the Red Cross might jeopardize the One Foundation’s ability to raise funds publicly. Some interpreted his remarks to mean that the One Foundation was in danger of closing. But then several months later, in January of 2011, the One Foundation announced that it was able to register as a public foundation in Shenzhen. That event marked the first time that a private foundation operating as a special fund was able to register as a public foundation, and was an encouraging sign for other private foundations that public foundation status was attainable.

The SEE case is somewhat different. It shows how an association registered in Alxa, Inner Mongolia is able to operate elsewhere and even register a foundation in Beijing. SEE and the SEE Foundation are part of the same entity, and even share the same governing boards and secretary-general, yet are registered in different places. As in the One Foundation case, appearances are not always what they seem.

The One Foundation and SEE cases also show the importance of being flexible and thinking local when registering. Both would have found it very difficult to register as national-level organizations. Instead, they registered as local organizations, in places where the barriers were lower. In the case of SEE, it registered in Alxa where it had the support of local officials, yet continued to operate nationally. In the case of the One Foundation, it registered in Shenzhen where the registration regulations for foundations had been relaxed.
On October 31, 2009, a statement of fewer than 150 words in Jet Li’s One Foundation’s Annual Report (Jan. 2008 – June 2009) caught my attention:

"In October of 2008, with the guidance and support of the Chinese Red Cross Society (中国红十字会总会), the Shanghai Civil Affairs Bureau, and other agencies, the Shanghai-based Jet Li One Public Welfare Foundation (上海李连杰壹基金公益基金会, hereafter the One Foundation), registered at the Shanghai Civil Affairs Bureau as a private foundation. The One Foundation acts as the implementing arm of the Chinese Red Cross Jet Li One Fund (中国红十字会李连杰壹基金, hereafter the Red Cross One Fund), and will carry out various activities according to the “Regulations on Foundation Management,” and submit reports, settle accounts, and accept annual audits to the Red Cross One Fund management committee.”

This statement may seem quite ordinary, but it reveals enough information to raise some questions.

The One Foundation’s status as a private foundation has been verified by the Red Cross One Fund Executive Chairman Zhou Weiyan, who also acts as the legal representative of the One Foundation. "We’ve used the annual report to explain the relationship between the two [organizations],” she explained. In its annual report, the One Foundation publicly explains the financial reports and project expenses of the two accounts before and after the merger.

Back in 2007, the One Foundation used the Chinese Red Cross to legitimize its establishment and to raise funds publicly to support the development of domestic NGOs. Why then would Jet Li want to register a private foundation [in Shanghai] in addition to his public charity, the Red Cross One Fund?

"As an organization under the Chinese Red Cross, the Red Cross One Fund is not a legal entity, so it cannot recruit its own staff,” said Ms. Zhou, as she explained the challenges facing the Foundation. To address such challenges, the One Foundation was established as a legally-registered private foundation in Shanghai in order to hire staff and implement the Red Cross One Fund’s projects.

Zhou added that the reason she did not want to set up a private company to implement the Red Cross One Fund’s projects was because it would likely be accused of profiteering. According to Ms. Zhou, it may appear that the One Foundation is restricting itself by establishing a private foundation under the Shanghai Municipal Government. But in fact, by placing itself under public and government scrutiny, it will be able to gain the same confidence from the public, as if it were a public charity.

By law, both the Red Cross One Fund and the One Foundation can accept grants, but the difference is that the latter cannot fundraise publicly. When funds are deposited into their bank accounts, especially in the case of private foundations, these funds must be managed in a public and transparent manner consistent with guidelines for public foundations. Ms. Zhou said that the One Foundation must abide by these strict guidelines - it must operate according to the regulations of public foundations. For example, operating costs must be kept within 10 percent of the total budget, quarterly reports need to be submitted, and so forth.

The One Foundation would like to register as a public foundation, but has so far been unable to do so because of political and legal constraints. The organization’s current hybrid private-public identity is a temporary solution, though one that it has adopted reluctantly. However, Ms. Zhou emphasized that “both the One Foundation’s public and private entities will operate
strictly according to regulations for public foundations. In the future, the only way to eliminate the fundraising difficulties facing private foundations is to resolve the legal status issues surrounding independent public foundations.”

The One Foundation is not alone in its pursuit of establishing a national-level public foundation. In 2004 the Alxa SEE Ecological Association (阿拉善生态协会, hereafter SEE) had the same hope and agreed to establish the SEE Foundation at its first Board of Directors meeting. But because “it wasn’t convenient to register a foundation at that time, SEE was established first as an association,” explained SEE’s Secretary-General Yang Peng. [Editor’s Note: SEE stands for Society for Entrepreneurs and Ecology and is a NGO established by a group of entrepreneurs dedicated to environmental protection. Alxa is the Romanization of the Mongolian pronunciation of Alashan, a region in western Inner Mongolia where SEE is registered. SEE is registered with Alxa Civil Affairs as a social organization (shehui tuanti), a category that enables it to have members.]

At that time, SEE gathered together a large number of successful private entrepreneurs, causing quite a stir. These entrepreneurs joined SEE as members, bringing along with them substantial resources that made SEE the envy of many domestic NGOs. After several years of development, SEE has grown increasingly influential in the area of environmental protection. Starting with environmental projects in Alxa, Inner Mongolia and expanding to projects in other parts of the country, SEE’s reputation has grown steadily.

To better follow legal and management standards, SEE launched the Beijing Entrepreneurs Environmental Protection Foundation (北京市企业家环保基金会), better known as the SEE Foundation, in October 2008. SEE is the sole founder of the SEE Foundation [which is registered as a private foundation]. This way SEE can attract entrepreneurs from around the country as members, while ensuring that its Foundation can engage in environmental protection projects throughout the country without regional restrictions.

SEE Foundation’s position, as set forth in SEE’s annual report, is that "SEE’s environmental projects outside of the Alxa region will be managed by the SEE Foundation.”

This set up is a sign of future changes to the Association’s structure and project management approach. Mr. Yang explained the changes as follows: "The future focus of the SEE Foundation is to support NGOs and to fund their development. As to how exactly we will support NGOs, the SEE Foundation is still exploring different options. SEE’s present focus will be on environmental projects in the Alxa region, as well as on membership projects such as training member businesses on how to be more ‘green’.”

As both Secretary-General of SEE and the SEE Foundation, Mr. Yang sees the two organizations as one team. Looking at the organization’s governance, aside from Wu Jinglian, the Chair of the Board who was brought in from the outside, the rest of SEE Foundation’s Board of Directors and Supervisory Board came from SEE’s Board of Directors and Supervisory Board. The only difference [between SEE and the SEE Foundation] is that SEE’s Board of Directors, Supervisory Board, and its Rules Committee, were created by SEE’s General Assembly. Through the General Assembly, each member has voting rights with regard to SEE’s major affairs. This system of governance -- using such rules of procedure to manage a foundation’s public affairs -- has garnered the admiration of others.

The more recently established SEE Foundation has transferred authority over its affairs to its Board of Directors and Supervisory Board. Therefore, SEE members have no voting rights with regard to the SEE Foundation’s policies. However, SEE members can vote to influence
the Board of Directors or Supervisory Board, which in turn exercises influence on the SEE Foundation’s affairs.

In addition to these changes, SEE no longer accepts membership dues. Instead, individual members now make a donation to the SEE Foundation. Once a donation is made, the donor automatically becomes a member of SEE and, therefore, enjoys all basic rights of a SEE member. As Mr. Yang explained, SEE Foundation acts as a collection agency for SEE. In turn, SEE then applies to the SEE Foundation to obtain funding for its projects.

The two organizations, one a social organization and the other a private foundation, have the appearance of being independent, but they are in fact intertwined. While it is still possible to differentiate between the two organizations and separate their domains of activity, Mr. Yang hopes that, in the future, the SEE Foundation will be able to develop independently from SEE.

This desire can be seen in the SEE Foundation’s bylaws, which clearly states that “following a period of development and maturation, and in line with procedures for amending the bylaws, the Foundation can register under the Ministry of Civil Affairs as a national public charity foundation.” Whether or not the organization can achieve this status, says Mr. Yang, will depend on its capability. If the organization’s management cannot keep up, a hastily established public foundation will not necessarily be a good thing, since disbursing funds is no simple matter.

The SEE Foundation is currently “not short of money, but it must consider how to spend it effectively.” This belief is recognized by the Boards of both SEE and the SEE Foundation. Mr. Yang added, “As the SEE Foundation disburses funds, it will develop its reputation, structure and staff, thereby enhancing its ability to use its funds effectively. The SEE Foundation should base its expansion plans on its actual disbursement and management capability. That would be the ideal.”
The China Foundation for Poverty Alleviation Internationalizes

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Wang Hui, CDB Staff Writer

Translated by Bryan Davis
Reviewed by Lizzie Fulton

Introduction: This article is part of our special issue on New Trends in Philanthropy and Civil Society in China (Summer, 2011). It introduces one of China’s most prominent government-organized NGOs (GONGOs), the China Foundation for Poverty Alleviation (CFPA), which is at the forefront of China’s efforts to internationalize its aid program. In the 1980s and 1990s, China was a leading recipient of international aid but that is slowly beginning to change with China’s rapid development over the last 30 years. In the past decade, the Chinese government, at the central and provincial levels, and companies have begun providing more assistance to developing countries, mostly in the form of loans, trade deals, and investment. Up to now, Chinese GONGOs and NGOs have not played much of a role in China’s foreign aid program, but the case of CFPA shows that this is slowly starting to change.

The China Foundation for Poverty Alleviation is Ahead of Its Time

In 2004, the China Foundation for Poverty Alleviation (hereafter, CFPA, 中国扶贫基金会) began to shift its efforts to the entire world, proposing an “internationalization” development strategy. After careful deliberation, this strategy became the CFPA’s new direction.

Needs and Expectations on the Global Stage

What exactly does “internationalization” mean?

In the words of He Daofeng, the CFPA’s Deputy Director, it means that aid recipients, aid providers, and aid ideals and methods, be viewed from an international perspective, and that the CFPA’s poverty relief work be expanded overseas.

Mr. He believes that this strategy is closely related to facilitating China’s economic development and growing role in the global community, as well as the international community’s changing expectations regarding the role China will play as a major power.

Mr. He explains, when a country’s per capita annual income reaches 3000 USD, it generally marks what economists call the “Lewis Point” (the transition from labor excess to labor shortage). At this point, a country’s labor cost rises, and its demographic advantage declines, thereby forcing local companies to internationalize. In this transition, aid organizations should also internationalize their resources and methods.

Moreover, as [a country’s] economy develops, there is a large rise in donations from companies, which in turn leads to a demand from companies for internationalizing philanthropy. China’s transition from an aid-receiving country to an aid-providing country has brought about new expectations of China from the global community. “You cannot ignore the world’s suffering. You cannot turn a blind eye to African refugees. You cannot ignore the problems of the world!” Mr. He says with passion.
“With these kinds of expectations, we had to respond, otherwise China could not take its place as a major power.” Changes in the outside world led to corresponding changes in the CFPA. Our 20 years of experience allowed us to respond effectively to these new demands, Mr. He noted.

CFPA, however, was very cautious about implementing its internationalization strategy in the early stages, when it had no experience to draw from.

Mr. He recalls that when CFPA first began working in international aid, it always worked with international organizations in the hope of accumulating international experience. It was extremely cautious, concerned that any problems might result in bad press that would destroy its international work before it had really begun.

After 2005, CFPA began working with Mercy Corps and other international aid organizations, providing emergency supplies and medicines to help tsunami-affected areas in India, the US in the aftermath of Hurricane Katrina, and areas affected by the earthquake in Pakistan. In the aftermath of the Haiti earthquake, the CFPA raised RMB 2 million for the UN recovery effort in Haiti.

Criticism from the outside has also made it difficult for the CFPA to internationalize. People ask why is it that, even while China itself still has serious poverty, CFPA is so eager to cast its gaze to the world at large? In 2005, at the same time that CFPA was extending a helping hand to the Katrina disaster in the US, people called to complain, “What’s wrong with you? You’re ignoring problems at home. Even the government isn’t getting involved [with aid for Katrina]. What are you doing offering help?”

Mr. He explains, as a country develops, there are continual changes in the consciousness of the nation and its people. Different stages of development give rise to different opinions, which is to be expected. He even recommends that his employees record these complaints and criticisms and listen to them from time to time to observe the changes in China’s national identity and consciousness.

While CFPA itself has had repeated internal debates over the same issues, Mr. He recalls, “discussion, experimentation, and progress remain our core values, and we also maintain an atmosphere that is open, transparent, and conducive to learning.” Thus, in the end, everyone was able to reach an understanding.

At CFPA’s 2009 annual meeting, Mr. He even addressed the entire staff in a report on “how to meet the challenges posed by internationalization”.

“It’s a lot better now. We don’t get abusive phone calls anymore,” He Daofeng added.

**Sudan as a Turning Point**

Exploring its capabilities by providing early-stage emergency assistance to disaster-affected areas around the world allowed the Fund to gain some international experience. But Mr. He believes that it was not until October 2009, when CFPA completed its onsite survey in Sudan, that its “internationalization” really began. “CFPA went through five or six years of trial programs, but only now is it at a stage where we are ready to establish a real presence overseas.”
CFPA has used its work in Sudan as the starting point for further aid work in Africa. It plans to establish 13 hospitals for women and children to lower the maternal and infant mortality rates. At present, the first batch of supplies has already been shipped from China and CFPA is preparing for construction of its first hospital.

The maternal death rate in Sudan, Mr. He explained, is 1,300 deaths for every 100,000 births, far higher than China’s 30 deaths for every 100,000 births. Even in the poorest areas of Tibet, the maternal death rate is only about 100 for every 100,000 births. For pregnant women in Sudan, giving birth is literally like knocking on death’s door.

“In the past three years, there have been no maternal deaths in any of the 12 counties where CFPA has projects in China.” CFPA would like to take the lessons from the “120 actions for mother-child safety” project carried out in China and apply them in Sudan and other countries that lack medical resources and hygienic facilities, in its effort to lower maternal and infant mortality rates.

Of course, given that there is a difference between the medical resources available in China and Sudan, the methods that CFPA uses in China will differ somewhat from those used in Sudan. CFPA’s work in Sudan will include donations of equipment and skills ranging from constructing hospitals and training medical and management staff to sending volunteers to work directly with local medical staff. “This will be a symbolic example of the Fund’s internationalization strategy.”

Within the organization, CFPA has set up an International Development Department to promote its internationalization strategy. With Sudan as the starting point, CFPA hopes in the future to expand its activities to nearby Ethiopia, Chad, and Kenya, as well as other African countries.

Is CFPA Too Far Ahead of Its Time?

It seems that after the misunderstandings and doubts that plagued the early stages of its work, CFPA is slowly beginning to be understood and supported by others. The attitudes of both the government and companies are changing rapidly.

“Chinese companies have done a lot of charity overseas, but they do not sell it well. A lot of their money was not spent well. The money given to local governments was not very effective. Now the [Chinese] government wants to encourage some of its departments to give it a try,” explains Mr. He.

In speaking about the lessons learned from implementing its internationalization strategy, Mr. He seems to have internalized the lessons perfectly. First, Mr. He explained, the thinking has to change. Next, internationalization has to become the overall focus of the organization. Third, you need specialized departments to implement the strategy. Fourth, you need suitable staff. Fifth, you need to choose a location. Sixth, decisions have to be made about the kind of projects needed at that location. Who are the potential donors for the project? Who are you aiming to help? Then you need to select partners. Also, there need to be ways to monitor project implementation.

As to whether CFPA’s progress was “too far ahead of its time,” Mr. He did not have a direct answer. Compared to the emergency aid offered by other Chinese GONGOs, he said, CFPA has gone down a different path. GONGOs are stuck at the stage of simply allocating funds to disaster areas. He believes that CFPA should understand what the problems are in disaster-
struck countries, and then design projects to deal directly with those problems. Otherwise, “how would it be any different from money from the government?”

“When Chinese companies go abroad, they need to be responsive to the needs of local communities. China’s role on the international stage is changing. We’re trying to meet new expectations, thinking about how to minimize the internationalization gap.”

As to whether or not [Chinese grassroots] NGOs would be able to develop internationally, Mr. He remarked, effective charity cannot just depend on someone’s passion. It’s something that requires skill and specialization. Nowadays, more and more young people are joining aid organizations, bringing with them new ideas about the world. The emergence of all sorts of new charities will add to this energy. But, he cautions, “Everything changes gradually, without any bells or whistles. It doesn’t just suddenly happen on one day. Only people with a steady heart, willing to think deeply, will be able to discover the course of this change.”
The Establishment of the China Foundation Center: China’s Foundations Move Toward Greater Transparency

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Fu Tao, CDB Editor

Translated by Tzzy Wang
Reviewed by Andrew Dang-Wells

Introduction: This article is part of our special issue on New Trends in Philanthropy and Civil Society in China (Summer, 2011). It introduces arguably the most important development in the world of Chinese philanthropy in 2010: the establishment of a China Foundation Center (CFC) to strengthen information disclosure, transparency, and professionalism among China’s public and private foundations. The CFC is the result of 20 years of discussion, organizing, and lobbying by key individuals and organizations in the government, philanthropy and nonprofit sectors. Modeled on the U.S. Foundation Center, the CFC and its organizers clearly see the U.S. foundation world as a model to be emulated. They believe foundations need to be disciplined, transparent and professional if they are going to earn the support of a public that is largely skeptical about charity. At the same time, the CFC faces real challenges in terms of cost, technology and a lack of willingness (and ability) on the part of many foundations to disclose information. Support by more foundations for the CFC’s goals will be important if philanthropy in China is to move away from an environment in which the distribution of charitable donations is highly inequitable and skewed toward foundations with government ties.

On July 8, 2010, the China Foundation Center (基金会中心网, hereafter CFC) was established at a conference in Beijing. The CFC’s founders, drawn from 35 public and private foundations, urged that philanthropy must be transparent if it is to survive. A straw poll taken by conference participants revealed that many donors had limited knowledge about how their funds were used, the NGOs that received funding, or the tax incentives for donations. This was not surprising. China Youth Daily (中青报), a leading national publication, conducted an online poll with similar results.

In 2009, charitable donations in China totaled 50.9 billion RMB. In 2008, the year of the Sichuan earthquake, donations reached nearly 100 billion yuan, but if you take out 76 billion RMB in donations specifically for the earthquake relief effort, then 2009 did see a significant increase. China Youth Daily’s poll found that 94.8% of 15,796 individual respondents had given a donation. If these numbers reflect the wider population, then perhaps we can optimistically argue that China has entered an era of universal participation in public welfare charity**.

Moreover, 49.1 percent of poll respondents indicated that donors have the right and obligation to monitor their contributions; 48.2 percent expected grant recipients to be transparent; and 31.9 percent were unhappy or very dissatisfied with the state of public foundations and philanthropic organizations. These numbers show that the general public is increasingly more demanding about the use of donations.

Yet the poll also revealed that more than 50 percent of respondents did not understand how to take advantage of tax incentives related to charitable contributions and more than 70 percent were completely unaware of the tax incentives. The poll exposes major shortcomings for
donors and NGOs with transparency and credibility playing the biggest role in restricting the development of charitable giving in China.

Ms. Zhuang Ailing, President of the China Foundation Center (CFC), hopes to change this situation. The CFC aims to encourage more donations by providing detailed information and analysis about more than 1,800 foundations across China.

In a study on philanthropic giving by the China Charity & Donation Information Center (中国慈善捐助信息中心), 90 percent of the public foundations disclose their bylaws, and 76.8 percent disclose the names of their board of directors. Only 30.4 percent publish an annual report and a mere 28 percent disclose financial statements. Most foundations are thus failing to meet the “Measures for Information Disclosure of Foundations” issued by the Ministry of Civil Affairs in 2006.

The overall lack of information, transparency, and mechanisms to track donations remains the biggest pitfall. While donor awareness has risen, this does not necessarily mean that donors are informed enough to select and supervise organizations who receive donations. According to the CFC, “most charity-related tax policies favor foundations, and the vast majority of donations are given to foundations, China Charity Federation (中华慈善总会), and the Chinese Red Cross (红十字会). Therefore, it is critical that foundations are transparent to ensure the development of the nonprofit and public welfare sector.”

Technology Triggers Change

When the CFC was developing a map to locate all the foundations across China, its vice president discovered that another foundation had its offices in the same building. Moreover, the Vantone Foundation (万通基金会), Narada Foundation (南都基金会) and Huaxia Foundation (华夏基金会) are all housed in the same office complex in Beijing. China’s leading search engine, Baidu, provides content and technical support for the CFC’s “charity map.” In addition, a geographic map of the foundations’ projects are available on the website.

Inspiration for the CFC came from the U.S. Foundation Center. With more than 98,000 foundations in its database, the U.S. Foundation Center has served as the information disclosure platform for American philanthropy for the last 50 years. From its headquarters in New York City and five regional offices across the U.S., the Foundation Center scours hundreds of sources to compile general information and financial data about each foundation. Additional details about specific programs are shared for more than 500 key foundations. The CFC is the U.S. Foundation Center’s first partner in China. The partnership covers information system support and capacity building, printing its exclusive publications, and opening its entire database to China.

Twenty private foundations such as the Narada Foundation, Vantone Foundation, and YouChange Foundation(友成基金会), as well as 15 public fundraising foundations comprise the CFC’s network. Li Jin, Secretary-General of the Vantone Foundation revealed that he has already drafted information disclosure guidelines for private foundations to improve self-regulation. Results from the 2009 Private Foundation Development Forum reflect a growing consciousness within this group to actively self-regulate the industry.

Transparency Leads the Transformation of Public Philanthropy
“It was harder for Chinese foundations to self-regulate prior to [China] entering the WTO,” says Shang Yusheng, Founder and Chairman of the Beijing NGO Research and Development Center (北京恩玖非营利组织发展研究中心). Prior to 2000, foundations believed promoting people based on merit fulfilled the self-regulation requirement.

In fact, the CFC is the culmination of 20 years of relentless efforts by philanthropists, starting in 1990, when 14 Chinese foundations met at a conference in Chengde. Wang Zhenyao, Director of the One Foundation’s Philanthropy Research Center (壹基金公益研究院) at Beijing Normal University, adds that Mr. Shang and other key individuals aligned the China Charity Federation with 17 other foundations in 1998 to form the virtual China Foundation and NPO Information Network (中国基金会与NPO信息网) to encourage information sharing within the non-profit community. This event, the creation of the China Charity and Donation Information Center (中民慈善捐助信息中心) at the 2005 China Charity Conference, and the opening of the China Foundation Center represent three milestones of China’s move towards transparency in public philanthropy.

Shang Yusheng, Yan Mingfu (former president of the China Charity Federation), He Daofeng (executive vice president of the China Foundation for Poverty Alleviation, 中国扶贫基金会), and Xu Yongguang (vice president and secretary general of the Narada Foundation) are pioneering individuals who led the development of self-regulation in Chinese foundations.

Yet, the individual who championed the government to broaden its thinking and established the Charity and Donation Information Center in 2005 was Wang Zhenyao, then Director of Disaster Relief at the Ministry of Civil Affairs.

NGO self-regulation in the last two decades has moved through several stages from proactive reporting to more government support, an influx of private capital, and increasing demands for transparency from media and academia, resulting in support from the government, business, and non-profit sectors. Foundations provide the impetus to enhance transparency and credibility of public charities and align aspirations, which ultimately forces structural changes for charitable organizations.

“The only way to get more support is by disclosing more,” says Xu Yongguang. The general public naturally gives money to organizations that openly share information. This in turn forces organizations to be accountable, thereby raising levels of efficiency and public awareness for charity and philanthropic NGOs. This also breaks from traditional views that all charities are government-run or have a government background, and it reduces the government’s need to intervene in philanthropy. Also, it would reduce the compulsory (被募捐) nature of some fundraising activities in which individuals are “encouraged” to donate by their work units.

**Will Embracing Transparency Create an Elite Class?**

The opening of the CFC demonstrates the willingness of Chinese foundations to develop, but it also adds new pressures and responsibilities.

Gu Xiaojin, Secretary-General of the China Youth Development Foundation (中国青少年发展基金会), raises the question: “Donating to causes has become fashionable, but can foundations develop professionalism? Informing the public is not a simple matter. It requires technology, resources, and experienced talent in order to be effective.”
Xu Yongguang admits that collecting information is difficult for the CFC given technology and cost constraints. Even experienced foundations regarded as leaders in the field, such as the China Youth Development Foundation and China Foundation for Poverty Alleviation, feel disclosing information will not easy. Because of these challenges, many foundations are unable or even unwilling to disclose how their funds are being spent. The lack of information and insufficient transparency in the public welfare sector poses a serious challenge to the CFC.

The CFC is dedicated to upholding transparency and ensuring the fair distribution of funds, a major departure from the traditional way of charitable giving. Amity Foundation (爱德基金会) Secretary-General Qiu Zhonghui explains that, in the past, government departments often issued notices restricting organizations from receiving donations, with the exception of public foundations that were legally authorized to engage in fundraising. This planned economy management system should be removed so that NGOs can freely receive funds in the open market.

On July 7, 2010, China’s Ministry of Civil Affairs and five other ministries issued “Measures for Disaster Relief and Donations Management for the Yushu, Qinghai Earthquake.” This regulation required all charity organizations that raised funds for earthquake relief efforts to forward them to special accounts established by the Qinghai Provincial Government, Qinghai Red Cross and the Qinghai Charity Federation. This measure affected 15 public foundations, and tens of billions in charitable donations, and prompted a public outcry about whether these donations might go into government coffers instead of being for their intended purposes. Not long before this, the Ministry of Civil Affairs had issued a notice allowing these same 15 social organizations and foundations, including the Red Cross and China Charity Federation, to accept donations for disaster relief. Government actions like this obstruct the role of NGOs and do more harm than good to the development of philanthropy.

Jia Xijin, deputy director of Tsinghua University’s NGO Research Institute, states that the reason for the government’s monopoly of charitable giving is a lack of trust among individuals. This distrust extends to donor organizations with a government background.

Thus, the CFC fills a desperately needed venue for citizens and businesses to provide funds directly to those who need it the most. Zhuang Ailing acknowledges that the large number of private foundations is having an impact on public foundations. Previously, many companies that gave to public foundations and were dissatisfied with the results went ahead and conducted charitable programs on their own, which they ultimately found more challenging than rewarding. The 2004 Regulations for the Management of Foundations filled a gap by allowing companies to create their own foundations. It is also the CFC’s mission to promote transparency among these foundations and encourage their healthy development. [Editor’s Note: The 2004 Regulations essentially created a new category of private (literally: nonpublic fundraising) foundations that could be established with privately-endowed donations from a family or company. These private foundations would complement the older generation of government-supported public foundations that emerged in the 1980s and 1990s. See “Blurred Law is Better Than None,” China Development Brief, June 10, 2004, http://www.chinadevelopmentbrief.com/node/110.]

However, the most optimistic assessments of the industry are not shared within the CFC. An important reason, says Zhuang Ailing, is that donors increasingly expect recipient organizations to have no conflicts of interest. Moreover, assessment and evaluation will be a
future problem.

The China Foundation Center is not a fee-based membership network where foundations subscribe to different services. It remains a neutral and open platform for information and support, enabling socially-minded citizens to track their donations and determine if they are being used effectively. Advanced technology allows detailed information to be delivered in an efficient and cost-effective manner. The only way for foundations to survive is to be transparent. In this way, donors can help civil society develop without pressure or fear of resource misallocation.

Chen Yimei, China director of Mercy Corps International, asserts that Chinese philanthropic organizations are moving along a path from transparency to effectiveness and to strategic philanthropy. Social progress is a long process, but it’s important that this process is open.

Transparency not only protects wealth, but also ensures its proper use.

** Editor's Note: As the survey was conducted through the China Youth Daily website, a higher proportion of respondents are from urban areas where occupation, age, educational background, and donation experience are higher than in rural areas.