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The Role of Foreign Corporate Engagement in the Development of China's Philanthropic Sector: Evidence from US Corporate Foundations

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THE ROLE OF FOREIGN CORPORATE ENGAGEMENT IN THE DEVELOPMENT OF CHINA’S PHILANTHROPIC SECTOR: EVIDENCE FROM U.S. CORPORATE FOUNDATIONS

Anke Schrader and Minji Xie

ABSTRACT. This article investigates the funding behavior of U.S.-based corporate foundations in China, over a five-year period (2008 to 2012). We assess foreign corporate donors’ recipient preferences, the impact of re-granting on small grassroots organizations, and the overall sustainability of corporate foundation grant-making in China. We find that foreign corporate foundations have a distinctly different pattern of recipient preferences than non-corporate foundations. A significant share of U.S.-to-China cross-border grants was made through foreign organizations operating in China—either through direct programs or intermediary services. Preferred Chinese recipient types were organizations with strong government affiliation as well as larger independent organizations. Small grassroots organizations have largely been excluded from corporate grant-making funds, even when taking into account re-granting from foreign nonprofits or intermediary organizations. Thus, with their recipient choices, U.S.-based corporate foundations—inadvertently or not—support the current power structures inherent in the Chinese nonprofit system, which favors government-vested organizations while systematically disadvantaging small independent organizations.

KEY WORDS: China, corporate foundations, philanthropy, civil society, international grant-making, nonprofit organizations

Introduction and Overview

Corporate contributions play a crucial role in funding China’s non-profit sector. In 2012, nearly two-thirds of total charitable giving in China came from corporate donors (China Charity Information Center, 2013). This stands in stark contrast to the United States, where corporate giving accounts for only 6 percent of total charitable giving (Lilly Family School of Philanthropy Indiana University, 2012). Importantly, foreign corporate donations account for a significant share of total corporate donations in China. Based on data compiled by the China Charity Information Center (CCIC), between 20 and 40 percent of total annual charitable donations in 2010, 2011, and 2012 came from foreign corporations—either from international corporate donors or from foreign firms based in China. Together, this amounted

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1 The authors would like to thank Indiana University’s Lilly Family School of Philanthropy and the Research Center for Chinese Politics & Business for financially supporting this study, and participants of Indiana University’s Initiative on Philanthropy in China workshops for their feedback on earlier presentations of research scope and progress.
to nearly USD 6.7 billion in foreign funding benefitting charitable causes in China between 2010 and 2012 (China Charity Information Center, 2013; 2012; 2011). As such, foreign companies, through their funding and recipient choices, serve as important financiers of nonprofit organizations in China, and play an important role in shaping China’s civil society sector development.

While CCIC data helps us assess the scale of foreign corporate engagement, it does not illuminate the distribution or ultimate recipients of foreign funds. The Chinese government retains a tight grip over the domestic nonprofit landscape, and as a result, over the distribution of charitable funding. Its regulatory and administrative system heavily favors large, state-vested charitable organizations while systematically disadvantaging smaller, independent organizations. Through its large, nationally operating charitable organizations, the government also directly participates in the nonprofit sector and receives major charitable donations. The extent to which foreign corporate donors support this current funding pattern is the main subject of this paper.

The body of research into this important nexus between the foreign corporate sector and Chinese civil society development is virtually non-existent. No academic studies of foreign corporate philanthropic engagement in China appear to have been conducted.

Foreign corporate philanthropic engagement in China tends to take one of two forms: foreign companies give through their corporate community affairs departments and/or through their corporate foundations. Contributions may come from inside China (through China subsidiaries or, in very rare cases, through foreign corporate foundations set up in China) or from outside China (through foreign-based corporate foundations or through the corporate community affairs department at headquarters).

Given the lack of previous research, the aim of this article is first and foremost an initial exploration of foreign corporate donor behavior in China, using evidence from cross-border grants of U.S.-based corporate foundations. The scope of this article is twofold: (1) Identify prevalent funding patterns of
U.S.-based corporate foundations in China; (2) Assess potential consequences of funding patterns on scale, diversity, and capacity of China’s non-profit sector. Specifically, our study will answer the following questions:

1. What types of organizations are preferred recipients of corporate foundations’ U.S.-to-China cross-border grants?
2. Does re-granting provide a funding vehicle for smaller grassroots organizations?
3. How sustainable is corporate foundation grant-making?

This study fills a gap in current academic literature by systematically analyzing foreign corporate funder behavior in China and the influence corporations, through their foundation arms’ recipient choices, exert on the development of the non-profit sector. The data compiled for this study also inform the broader corporate donor and recipient community about current funding practices, challenges, and constraints. Finally, the findings may serve government agencies to shape policy recommendations on improving the operating environment for nonprofit organizations in China. As more data becomes available, future research should focus on other aspects of foreign corporate giving in China, especially donations from non-U.S. companies and donations through corporate community affairs departments.

The article is structured as follows: The first section outlines the unique relationship between the Chinese public and civil society sectors by discussing government mechanisms of supervision and participation in the civil society sector. The article then provides a general review of current literature. In particular, we focus on current literature on foreign companies’ corporate social responsibility (CSR) activities in China, as well as literature on foreign foundation engagement in China. In the following section we describe data and research methodology used to measure U.S.-based corporate foundation engagement in China. We then discuss findings, focusing on corporate donors’ recipient preferences, the impact of re-granting on small grassroots organizations, and the overall sustainability of corporate
foundation grant making in China. We conclude by summarizing key findings and proposing areas for future research.

The State as Direct Participant in Civil Society

China’s current regulatory framework leads to a wide spectrum of nonprofit organizations operating in China, with blurred institutional boundaries between the state and civil society sector. The Western understanding of a non-governmental organization as a formal, private, self-governing, voluntary, non-profit-distributing institution (Salamon & Anheier, 1997, pp. 33-34) rarely applies in the Chinese context. Under the premise that NGOs should be separate from state and business sectors, most legally registered, but government-led organizations would not be considered NGOs, while many “illegal” organizations (unregistered or set up as commercial entities) in fact largely fulfill this role. The current organizational structures and modus operandi of nonprofits in China arise largely out of China’s authoritarian political system, and the strong government oversight and involvement in “managing” civil society development.

The General Principles of the Civil Law (GPCL) in 1986 clearly distinguished between commercial enterprises, government organs (national and local government agencies and departments), institutional organizations\(^2\), and social organizations (Simon, 2005, pp. 78-82; China Development Brief, 2011, p. 4). However, the GPCL applied a simple dichotomy between public and commercial spheres, grouping social associations into the public (i.e. non-commercial) sector, together with government organs and public institutions. In other words, while the GPCL recognized the difference between public and commercial spheres, and acknowledged the existence of different legal entities within the public sector, it failed to clearly address the varying roles different entities can and should play in providing public

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\(^2\) Shiye danwei (事业单位), also referred to by other authors as public institutions. Institutional organizations are quasi-government public service agencies providing services in areas such as education, social welfare, or healthcare (for example public hospitals, universities, and research institutes).
services (Simon, 2005, p. 78). The effects of this dichotomy—no clear demarcation lines between the public and third sector—remain inherent in today’s nonprofit sector structure, where the government plays an important role as regulator and direct participant—both as grant-maker and direct recipient of funds (Hsu, 2010, pp. 275,354).

Through its role as grant-maker and supervisor, the Chinese government can systematically disadvantage certain types of organizations, especially those whose activities appear to challenge the legitimacy of the government (e.g. organizations focusing on human rights or legal aid issues). Strict registration requirements and oversight are imposed on registered non-profit organizations, with many administrative and political hurdles involved to register and stay registered. There are also strong political boundaries that control focus, scale, and amplitude of nonprofit activities. On the other hand, the government enables the growth of organizations deemed to support the state’s public welfare agenda (e.g. around environment, healthcare, or education issues) (Lee, 2009). These organizations are often, but not as a rule, government-vested organizations.

As grantee (or recipient of funds), the government can utilize its vast network of national and local affiliations and can therefore absorb significant amounts of philanthropic resources. GONGOs—government-organized non-governmental organizations—play a crucial role in this regard. Normally set up by institutional organizations, they tend to be large, national-level organizations with significant access to government funding and other government resources. At the other end of the spectrum, small nonprofit organizations starting up at the grassroots community level often struggle with legal registration—even at the local levels—and with gaining access to sufficient resources to operate or expand in scale. In recent years, a growing number of larger independent foundations are emerging, largely in the wake of significant foundation regulation reforms in 2004. Companies, entrepreneurs or

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3 This misnomer is born out of a Western understanding of nonprofit organizations, which tends to equate nonprofit with non-governmental. A more accurate way to describe these types of organizations would be government-organized nonprofit organizations.
other highly affluent individuals often found these types of organizations. However, despite the growth of such organizations, many scholars estimate that GONGOs continue to be dominant players in China’s nonprofit sector (Jia, 2008), and aggregate data from CCIC supports this notion. In 2012, CCIC reported that 33 percent of total donations in China went to the China Charity Federation, one of China’s largest GONGOs, and a funding vehicle for many smaller organizations. State civil affairs departments received 16 percent, while mass organizations, party organs, public institutions, and the Chinese Red Cross (another large GONGO) received another 10 percent of total donations. 37 percent went to foundations, many of which are also GONGOs, although independent foundations would also fall into this category, and, as mentioned earlier, are starting to play a growing role. Other types of organizations, such as small grassroots organizations, have received very little funding according to official data (China Charity Information Center, 2013).

The Need for Systematic, Quantitative Research on Corporate Engagement

The majority of scholarly work to date on China’s non-profit sector focuses on the state-civil society relationship (Ashley & He, 2008; Deng, 2010; Hsu, 2010; Unger, 2008; Simon, 2009; Yu, 2006), with a dearth of literature focused on analyzing the tripartite interdependencies and influences between the state, the third sector, and the market economy. Specifically, no studies have been conducted that systematically assess transnational funding behaviors of corporate foundations in China. Limited insights can be gleaned from survey-based studies which focus on the scale and motivations of global corporate philanthropic giving, where China represents just one of many recipient countries under discussion. They find that China is among the most popular destinations for international corporate donors, primarily because the extent of multinational corporations’ philanthropic activities tends to align with their global footprint, and as such, China is of great importance (Lilly Family School of
Philanthropy Indiana University, 2013; Committee Encouraging Corporate Philanthropy, 2012). To the extent that corporate foundations can be seen as standing at the intersection of foundations and companies’ corporate social responsibility (CSR) programs, existing literature on these two forms of philanthropic engagement may provide useful insights into corporate foundation funding behavior. Some scholars have suggested that as a “boundary organization”, corporate foundations may reinforce the commonalities and accommodate the competing tensions resulting from differences between corporations and foundations (O'Mahony & Bechky, 2008; Herlin & Pedersen, 2013). Furthermore, proponents of this theory stress the positive role corporate foundations may play in going beyond either corporations’ and foundations’ rationales, proposing that corporate foundations could serve as catalysts bridging business and nonprofit sectors, and thus could become change agents able to experiment with and explore new or less popular areas (Westhues & Einwiller, 2006; SMART Company, 2007; Herlin & Pedersen, 2013). As Westhues and Einwiller remark, “They [corporate foundations] can be innovative, future-oriented, entrepreneurial and proactive without incurring too much risk.” (Westhues & Einwiller, 2006, p. 146). However, this theoretical construct lacks detailed study and thus little is known about corporate foundations’ giving strategies, recipients selection and collaboration mechanisms.

To the extent that corporate philanthropy in China is discussed in current literature, it is largely analyzed in the context of corporate social responsibility (CSR), with a focus on the linkages between philanthropic giving and corporate performance, values, image, government relations etc. (Li & Liu, 2010; Song & Wang, 2010; Su & He, 2010; Ye & Zhang, 2011). The discourse of foreign CSR in China suggests two pivotal drivers of foreign CSR, both largely rooted in Chinese institutional dynamics: Firstly, the government’s increased pressure on companies to engage in CSR, thereby using CSR as a lever for social legitimacy building of companies (Yin & Zhang, 2012), and secondly, the rise of so-called “consumer nationalism”, where perceived irresponsible business conduct of foreign companies
serves to enhance nationalistic, anti-foreign sentiments (Wang, 2006). To this extent, it is broadly argued that the growing adoption of CSR practices among foreign companies in China is largely externally driven, in order to develop and maintain good government and public relationships (Lam, 2009; Fang, 2010; Yin & Zhang, 2012; Bu, Bloomfield, & An, 2013).

Acknowledging these broad institutional dynamics, several scholars have used case study research to examine in greater detail the CSR practices of leading multinational companies (MNCs). The findings of these studies are threefold. Firstly, multinationals can typically tap into a significant repository of international experience and best practices on introducing and managing CSR programs. Therefore, their philanthropic activities in China tend to be more autonomous, strategic, interactive, and sustainable than those of their domestic counterparts (private and state-owned enterprises) (Zhang, 2005). For example, multinationals are more likely to establish functional units around CSR or philanthropy activities (e.g. a corporate community department), develop programs with long project cycles, donate business expertise instead of purely cash, and implement diverse employee volunteering programs (Bu, Bloomfield, & An, 2013).

Secondly, in terms of the underlying rationale for conducting CSR activities, most MNCs in China are seen as reactive and conservative in their approach. Several studies show that MNCs tend to conduct fewer CSR initiatives in emerging economies like China than in developed countries, where more pressures arise from both legal and consumer requirements, indicating that MNCs tend to make minimum efforts to mitigate risk (Abdul-Gafaru, 2006; Philipp, 2006; Rondinelli, 2006; Lam, 2009). Several scholars conclude that overall, CSR performance of MNCs is still insufficient in China. They argue that MNCs are inclined to take advantage of weak legal infrastructures and low civic accountability in China, tailoring their CSR activities largely to showcase signature CSR programs to
the government and the public, instead of truly assessing and addressing social needs (Lam, 2009; Lin, 2010; Bu, Bloomfield, & An, 2013).

Finally, it is argued that MNCs tend to be risk-averse in their selection of focus areas and recipients. There are prevailing contentions that issues which are aligned with the state’s welfare agenda and public opinion, such as education, environment, and social security, are the dominant giving areas for MNCs, while other, more politically sensitive areas such as human rights and civic affairs receive very little attention. MNCs have also been found to prefer to either implement their own CSR initiatives, without partnering with outside organizations, or to collaborate with GONGOs (Lin, 2010; Bu, Bloomfield, & An, 2013). However, little research is available which would allow a more detailed assessment of either focus area or partner preferences of MNCs in China.

The rationales of international grantmaking foundations provide another lens to gain insights about corporate foundations funding behavior in China. In particular, ample literature exists on the globalization of U.S. foundations, and their funding rationales and strategies. At the turn of the 20th century, a small number of large U.S. foundations, founded by affluent families or corporations, pioneered in providing significant amounts of foreign aid, and thus promoted the notion that foundations can act as change agents improving wellbeing on a global scale (Arnove, 1982; Berman, 1983; Hammack & Anheier, 2013). Prominently among these stood the Rockefeller Foundation, the Carnegie Foundation, and the Ford Foundation. At the end of the Cold War, U.S. foundations started adopting a more prominent role in supporting foreign nonprofit organizations, and actively engaged in civil society and democracy building outside the U.S. (Spires A. J., 2011).

The Rockefeller Foundation engaged with China as early as the 1910s, focusing mainly on promoting medical care and scientific research. The establishment of Beijing Union Hospital in 1921, one of China’s most prominent hospitals, remains to this day one of the most influential and sustainable
transnational granting projects in China. The Ford Foundation is another prominent U.S.-based foundation which has been active in providing grant monies to China since the 1970s. Over the years, the Ford Foundation’s granting focus in China has shifted from funding social science related research to strengthening civil society, including sensitive issues on good governance, rule of law, and human rights (Zi, 2003; Han, 2004; Ford Foundation, 2011).

The extent to which foreign foundations engage in civil society development in China, and which funding and grantee preferences they have is not well studied, and findings of studies that do exist are not unanimous. In a recent article, Anthony J. Spires argued that “institutional constraints and personal preferences [among large U.S. foundation donors] conspire to create organizational homophily and work to systematically disadvantage grassroots groups [in China]” (Spires J. L., 2011, p. 324). In his macro analysis Spires found a significant share of U.S.-to-China cross-border grants made between 2002 and 2009 went to government departments, large GONGOs, and public academic institutions, while scant grant monies benefitted independent and grassroots organizations; he thereby proposed that foreign foundation funders are supporting the existing organizational status quo in China rather than actively supporting change.

Lai Weijun and Zhu Jiangang explore a more micro view of foundations’ grantee preferences, seeking to explore insights into the collaboration mechanisms between foundations and nonprofit organizations in Southern China. They base their analysis on 15 in-depth case studies of both foreign and Chinese grant-making foundations. They construct a spectrum based on the level of recipients’ autonomy, and plot four mechanisms of collaborations—service purchase (granter grants to granter’s project), project-based grants (granter grants to grantee’s project), strategic partnership (granter grants to grantee’s organization), and incubation (granter fosters the establishment of grantee). Lai and Zhu conclude that most foundations, regardless of whether they are domestic or international, adopt multiple mechanisms
and maintain diversified relationships with nonprofit organizations. They also highlight that incubation, which is already successfully conducted by a few international foundations like the Global Greengrants Fund, serves as a particularly important mechanism for grassroots initiatives without stable resources and legal registration in China, so as to counter current institutional constraints (Lai & Zhu, 2013).

The insights gained from reviewing current literature on CSR activities of foreign companies in China, as well as research on funding behavior of foreign foundations in China, are as follows: While it is generally agreed that corporations, through their CSR programs, tend to be conservative and risk averse in their choice of grant recipients, the literature on foreign foundation behavior is too spare to draw definitive conclusions. Spires’ macro analysis suggests that U.S.-based foundations show a strong preference for government-affiliated organizations, while Lai and Zhu’s case studies suggest that foundations tend to have a stronger focus on diversified collaboration with nonprofit organizations, and exhibit greater inclusion of marginalized recipients. It is generally agreed that both corporate and foundation donors’ funding choices are constrained by the government’s tight control over infrastructure and participants of Chinese civil society.

**Data and Research Methods**

There are four main funding channels for foreign corporate contributions in or to China:

1. Through a foreign-based corporate foundation
2. Through a China-based foreign corporate foundation
3. Through corporate community affairs (or similar) department at headquarters
4. Through corporate community affairs (or similar) department at the China subsidiary

An extensive review of potential data sources revealed a dearth of empirical data on foreign corporate philanthropic spending in and to China for all four funding channels described above; especially detailed
unit-level data on program funding areas and recipient types is largely absent. Such data is often compiled by nonprofit organizations or research institutes with a set goal to increase third sector transparency. For example, in China, CCIC collects data on foreign corporate donations from inside and outside China. However, no details are available as to how systematically data is compiled, and no unit-level breakdowns beyond aggregate data are available (China Charity Information Center, 2013). The China Foundation Center (CFC) systematically collects data on foundations in China, including foreign corporate foundations. However, the current number of foreign corporate foundations operating in China is negligible, and therefore does not lend itself as a sample to conduct meaningful analysis.\(^4\) Survey-based data sets usually lack the necessary level of detail to conduct analysis of funding streams to specific recipient organizations. In the United States, The Committee Encouraging Corporate Philanthropy (CECP), through its annual Giving in Numbers survey, collects giving data from a select number of large U.S. companies. However, data is highly aggregated and the survey sample non-representative (Committee Encouraging Corporate Philanthropy, 2013). Giving Beyond Borders, an annual study conducted by the Indiana University Lilly Family School of Philanthropy also provides data on global giving by U.S. corporations. Here, too, issues with sample size and data aggregation prevent further analysis of the data set (Lilly Family School of Philanthropy Indiana University, 2013). Finally, a review of several national and trans-national foundation networks which provide profiles and data on foundations (among them the Foundation Center, the Charity Commission UK, the Japan Foundation Center, and the Association of German Foundations) further revealed that systematic data on cross-border grants is only available for U.S.-based donors.

Two comprehensive data sets on U.S.-to-China cross-border grants (for grants larger than USD 1,000), covering the 2008-2012 period, were purchased from the Foundation Center: (1) Grants from U.S.-based foundations to China-based recipients, and (2) grants from U.S.-based foundations to overseas recipients,\(^4\) The number of foreign corporate foundations was verified through direct conversation with CFC staff.
but with clear specification of China-focused causes. Note that in the context of this study, cross-border 
grants are defined as those grants where the ultimate population served is based in Mainland China. This 
includes grants made to foreign-based NGOs that execute projects in China and intermediaries that 
funnel money to Chinese NGOs. The data provided in the data sets derive from IRS information returns 
(Form 990-PF), foundation reports, and information reported to the Foundation Center through annual 
surveys of leading foundations. Combined, the two data sets provided a total of 4,773 grants for analysis, 
including information on donor name, donor type, recipient name, description of grant usage, grant issue 
year and duration for each individual grant.

Data was recoded using the following variables:

*Grant Monies*— Measures the total dollar amount of grants received by a specific type of recipient 
organization.

*Grant Count*— Counts the total number of grants received by a specific type of recipient organization.

*Recipient Count*— Counts the total number of recipients receiving grants by recipient type. This 
measure serves as a proxy for the diversity of organizations served.

*Repeat Support*— Assesses the frequency with which recipient organizations have received grants from 
donors within a given time period. We count in which years, between 2008 and 2012, individual 
recipient organizations received one or more grants. For example, a recipient who received one or more 
grants in each year between 2008 and 2012 is counted as having five years of repeat support. Recipients 
who received one or more grants in 2008 and again in 2010 are counted as having two years of repeat 
support. This variable serves as a proxy for capacity building through continued (instead of one-off) 
support.

*Grant Duration*— Measures the length of each individual grant commitment, in years.
Donor Giving Commitment—Describes the average number of years of commitment by individual donors to giving causes that benefit China, within a five-year period. We count in which years, between 2008 and 2012, individual donors made one or more grants. For example, a donor who made one or more grants in each year between 2008 and 2012 is counted as making a 5-year giving commitment to China. A donor who made one or more grants in 2008 and again in 2010 is counted as making a 2-year giving commitment. This variable aims to provide a proxy for assessing the length of engagement of grant-making to China.

Re-granting—Counts how many grants have been re-granted by type of recipient organization. Re-grants were individually verified and coded based on the ultimate recipient type. A total of 228 re-grants were recorded and coded.

Donors were re-classified into corporate foundations and non-corporate foundations. Non-corporate foundations include community foundations, independent foundations, operating foundations, and public charities. Recipient organizations were classified into 12 mutually exclusive types, based on their legal identity, location, and proximity to the state: Government Department, Ministry and Agency; Mass Organization; Academic & Education Institution; Other Institutional Organization; GONGO; Small Grassroots NGO; Other Independent NGO; HK/TW/MA-based NGO; International Intermediary; International Project-Running NGO; Corporation; and Other (see Appendix 1 for detailed classification).

Our final dataset contained a total of 4,336 verified U.S.-to-China grants made by 267 individual U.S.-based foundations during the 2008-2012 period, giving USD 1.072 billion in grant monies to 1,312 recipient organizations. Among these, a total of 64 individual U.S.-based corporate foundations made 705 grants worth USD 134 million to 204 recipient organizations. Table 1, page 15, provides a summary of general statistics of the sample, broken down by corporate and non-corporate donors.

<table>
<thead>
<tr>
<th></th>
<th># of Foundations</th>
<th># of Grants</th>
<th>Grant Monies (USD)</th>
<th># of Recipient Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Foundations</td>
<td>64</td>
<td>705</td>
<td>133,803,698</td>
<td>204</td>
</tr>
<tr>
<td>Non-Corporate Foundations</td>
<td>203</td>
<td>3,631</td>
<td>938,586,102</td>
<td>1,108</td>
</tr>
<tr>
<td>TOTAL</td>
<td>267</td>
<td>4,336</td>
<td>1,072,389,800</td>
<td>1,312</td>
</tr>
</tbody>
</table>

Do Foreign Corporate Donors Support the Existing Organizational Status Quo?

A one-dimensional approach to measuring donor preference simply by looking at funding streams can result in misleading findings, as the amount of grants made to specific recipient types is closely related to the recipient types operating scale, which in turn determines an organization’s budgeting and expenditure capacity. For instance, GONGOs and large independent foundations in China tend to apply for larger grants, as their general capacity to execute programs outstrip that of small grassroots NGOs. It would therefore be misleading to conclude that recipient types that receive the largest aggregate amounts of funding are also de facto preferred recipients. Instead, a multi-dimensional approach enables us to look at donor preference in terms of its quantity (grant monies given), frequency (number of grants made), breadth (how many organizations are reached through grants), and length (the extent to which organizations were given repeated support), thus increasing our insights about the true extent of donor preference. Table 2, page 16, provides summary statistics and rankings for donor preference across the four dimensions for corporate foundations as well as summary statistics and rankings for non-corporate foundations.
TABLE 2: Donor Preference, Corporate and Non-Corporate Foundations, 2008-2012

<table>
<thead>
<tr>
<th>Recipient Type</th>
<th>Quantity (Grant Monies)</th>
<th>Frequency (Grant Count)</th>
<th>Breadth (Recipient Count)</th>
<th>Length (Repeat Support)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CORPORATE FOUNDATIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Project-Running NGO</td>
<td>33,317,003</td>
<td>24.9</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>GONGO</td>
<td>32,914,923</td>
<td>24.6</td>
<td>0.99</td>
<td>0.86</td>
</tr>
<tr>
<td>Independent NGO</td>
<td>23,822,940</td>
<td>17.8</td>
<td>0.72</td>
<td>0.54</td>
</tr>
<tr>
<td>International Intermediary</td>
<td>19,957,800</td>
<td>14.9</td>
<td>0.60</td>
<td>14.9</td>
</tr>
<tr>
<td>Academic &amp; Education Institution</td>
<td>17,522,938</td>
<td>13.1</td>
<td>0.53</td>
<td>15.2</td>
</tr>
<tr>
<td>Mass Organization</td>
<td>2,516,000</td>
<td>1.9</td>
<td>0.08</td>
<td>3.3</td>
</tr>
<tr>
<td>Small Grassroots NGO</td>
<td>1,275,233</td>
<td>1.0</td>
<td>0.04</td>
<td>3.5</td>
</tr>
<tr>
<td>Other Institutional Organization</td>
<td>914,085</td>
<td>0.7</td>
<td>0.03</td>
<td>1.4</td>
</tr>
<tr>
<td>Corporation</td>
<td>729,233</td>
<td>0.5</td>
<td>0.02</td>
<td>0.7</td>
</tr>
<tr>
<td>Government Department, Ministry and Agency</td>
<td>596,558</td>
<td>0.4</td>
<td>0.02</td>
<td>0.7</td>
</tr>
<tr>
<td>HK/TW/MA-based NGO</td>
<td>236,985</td>
<td>0.2</td>
<td>0.01</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>NON-CORPORATE FOUNDATIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Project-Running NGO</td>
<td>322,151,278</td>
<td>34.3</td>
<td>1.00</td>
<td>25.2</td>
</tr>
<tr>
<td>Academic &amp; Education Institution</td>
<td>276,176,828</td>
<td>29.4</td>
<td>0.86</td>
<td>36.3</td>
</tr>
<tr>
<td>Government Department, Ministry and Agency</td>
<td>148,859,413</td>
<td>15.9</td>
<td>0.46</td>
<td>7.2</td>
</tr>
<tr>
<td>GONGO</td>
<td>65,585,161</td>
<td>7.0</td>
<td>0.20</td>
<td>7.1</td>
</tr>
<tr>
<td>Independent NGO</td>
<td>33,939,468</td>
<td>3.6</td>
<td>0.11</td>
<td>3.9</td>
</tr>
<tr>
<td>Other Institutional Organization</td>
<td>27,614,309</td>
<td>2.9</td>
<td>0.09</td>
<td>5.4</td>
</tr>
<tr>
<td>Corporation</td>
<td>27,582,588</td>
<td>2.9</td>
<td>0.09</td>
<td>4.9</td>
</tr>
<tr>
<td>Small Grassroots NGO</td>
<td>20,626,461</td>
<td>2.2</td>
<td>0.06</td>
<td>6.9</td>
</tr>
<tr>
<td>International Intermediary</td>
<td>7,276,010</td>
<td>0.8</td>
<td>0.02</td>
<td>0.9</td>
</tr>
<tr>
<td>Mass Organization</td>
<td>4,185,301</td>
<td>0.4</td>
<td>0.01</td>
<td>0.4</td>
</tr>
<tr>
<td>Other</td>
<td>2,812,252</td>
<td>0.3</td>
<td>0.01</td>
<td>1.3</td>
</tr>
<tr>
<td>HK/TW/MA-based NGO</td>
<td>1,777,033</td>
<td>0.2</td>
<td>0.01</td>
<td>0.5</td>
</tr>
</tbody>
</table>

*Due to the small number of International Intermediaries through which foundations tend to give, recipient count is not an adequate measure to assess preference for International Intermediaries. and has thus been excluded.

**Due to small sample sizes of grants and recipients, repeat support has been excluded from analysis for the following recipient types: Corporate foundations: Corporation, Government Department, Ministry and Agency, and HK/TW/MA-based NGO, and Other; non-corporate foundations: International Intermediary, Mass Organization, Other, and HK/TW/MA-based NGO.
In order to better visualize relative comparisons across different types of recipient organizations, we convert values into a simple ratio scale for each of the four dimensions *quantity*, *frequency*, *breadth*, and *length*, by assigning each recipient type a value between 0 and 1, where 1=the highest ranking value for each of the four dimensions. These scales can be used to rank order recipient types based on their relative values across the four dimensions. Chart 1, page 19, plots rank orders by recipient types across the four dimensions for corporate foundations while Chart 2, page 19, plots rank orders by recipient types for non-corporate foundations.

**International Project-Running NGOs are dominant recipients of U.S. corporate foundation grants.** In terms of *quantity* (total grant monies), corporate foundations showed a strong preference for a relatively small group of recipient types: with USD 33.3 billion, International Project-Running NGOs were the largest group of recipients of foreign corporate foundation grants between 2008 and 2012, closely followed by GONGOs (USD 32.9 billion). Other major recipient types, in order of preference, were Independent NGOs, International Intermediaries, and Academic and Education Institutions. Together, these recipient types accounted for 95 percent of grant monies for the 2008-2012 period.

International Project-Running NGOs were given clear preference in terms of *quantity*, *frequency*, and *breadth* of grants, but relatively less preference in terms of *length*, indicating that repeated support for International Project-Running NGOs was low compared to other recipient types (on average, International Project-Running NGOs received less than two years of repeat support (1.88 years), while GONGOs, for example, received an average of 2.64 years of repeat support).

It is not surprising to find that preference is given to home-based organizations which share certain commonalities with U.S.-based donors, such as language, organizational structures, and legal requirements, especially given U.S. tax laws regarding corporate charitable donations. The same argument also applies to grants made through International Intermediaries, which tend to provide donors
with a more secure and straightforward way of international grant-making, especially for donors with little or no experience with direct grant-making in China.

*With 25 percent of total grant monies, GONGOs were the recipients of a significant share of U.S. corporate foundation grants.* This stands in stark contrast to giving from non-corporate U.S.-based foundations. On average, only 7 percent of total grant monies from non-corporate foundations went to GONGOs. While only a negligible share of corporate foundation grants directly supported Government Departments, Ministries or Agencies (0.4 percent, compared to nearly 16 percent for non-corporate foundations), corporate donors showed a strong preference for organizations with strong government ties (GONGOs and Academic and Education Institutions; together they accounted for nearly 38 percent of grant monies). It is interesting to note that corporate donor preference for GONGOs was significantly higher in terms of *quantity* than in terms of *breadth*. Reversely, International Project-Running NGOs received 25 percent of all grant monies (*quantity*), while the *breadth* of support was significantly larger (grants reached nearly 38 percent of recipients between 2008 and 2012). This suggests that donors granting through International Project-Running NGOs serve a relatively larger number of recipient organizations, while a similar amount of funds from corporate donors were concentrated among a relatively smaller number of GONGOs. This pattern of giving larger amounts of grant monies to fewer GONGO recipients is unique to corporate donors, and was not observed among non-corporate foundations, where the distribution across *quantity*, *frequency*, and *breadth* was remarkably even for GONGOs. It suggests that a relatively small number of well-established GONGOs are the beneficiaries of a majority of U.S. corporate foundation monies.

Note: Due to the extremely small scale of quantity, frequency, breadth and length, Corporation, Government Department, Ministry and Agency, and HKTWMA-based NGO are excluded from this chart.


Note: Due to the extremely small scale of quantity, frequency, breadth and length, International intermediary, Mass Organization, Others and HKTWMA-based NGO are excluded from this chart.
U.S. corporate donors give significant support to large, well-established independent organizations. A sizeable share of U.S.-based corporate foundation grant monies between 2008 and 2012 went to Chinese Independent NGOs (USD 23.8 million, or 18 percent of total grant monies). These types of organizations are medium or large charitable organizations that tend to operate with relative independence from the government. In contrast, Independent NGOs accounted for only a minimal share of overall non-corporate foundation grant monies (less than 4 percent). While the relatively strong focus on independent organizations is a positive sign in terms of corporate donors strengthening the independence of Chinese nonprofit organizations, grant monies given to independent organizations largely serve to support organizations which have already achieved the size and capacity to successfully operate. Analyzing donors’ recipient preference across the dimensions quantity, frequency, and breadth further strengthens this argument. Between 2008 and 2012, Independent NGOs received 18 percent of all grant monies (quantity), while receiving only 5 percent of all grants (frequency), reaching only 5 percent of recipients (breadth). The pattern clearly shows that a smaller number of larger grants were given to a relatively small number of recipients. In contrast, we do not observe the same pattern for non-corporate foundations, where the distribution of preference for Independent NGOs across quantity, frequency, and breadth was relatively even.

Grassroots organizations receive very limited funding. The three major Chinese recipient types—GONGOs, Independent NGOs, and Academic and Education Institutions—share a number of important characteristics: they are usually fairly large, established organizations, legally registered, and with a track record of receiving grant monies from international donors. Few U.S.-based corporate foundations have given directly to Small Grassroots Organizations in China, which are often unregistered. Between 2008 and 2012, only 25 grants totaling USD 1.3 million were recorded going to Chinese grassroots organizations. Analyzing quantity, frequency, and breadth of giving indicates that, not surprisingly,
grant monies are spread out across a larger number of small recipients (grant monies to grassroots organizations account for 1 percent of total grants, while recipient count accounts for nearly 7 percent). This indicates a larger number of recipients of smaller sized grants. Not only were funds allocated to grassroots organizations extremely limited, with an average of 1.57 years, repeat support for grassroots organizations was very low (meaning that many small organizations received only one-off grants, without the benefit of access to repeated funding).

*We summarize as follows.* Over the past five years, a significant share of U.S.-to-China cross-border grants was made through foreign organizations operating in China—either through direct programs or intermediary services. Preferred Chinese recipient types were organizations with strong government affiliation as well as larger independent organizations. Small grassroots organizations have largely been excluded from corporate grant making funds. This pattern suggests highly pragmatic domestic giving practices among corporate donors, resulting in the strengthening of large, already established organizations in China, both government-led and independent. It also suggests that corporate donors’ recipient choices tend to support the current power structures inherent in the Chinese nonprofit system, which favors government-vested organizations, while systematically disadvantaging small independent organizations.

**Are Small Grassroots Organizations Reached Through Re-granting?**

Corporate foundations’ focus on International Intermediaries and International Project-Running NGOs suggests an active role in utilizing overseas recipients for the purpose of re-granting to local recipients. The data shows that U.S. corporate foundation cross-border grants indeed play a unique role in re-granting. Around one fifth of all grants made by corporate foundations were further re-granted to other organizations, the vast majority to domestic Chinese recipients. Between 2008 and 2012, 139 U.S.-to-
China corporate foundation grants totaling USD 24.7 million were re-granted. By comparison, only 2.5 percent of cross-border grants from non-corporate foundations were re-granted over the same time period (89 grants, totaling USD 30.3 million).

One could readily assume that this would allow conservative corporate donors to provide grants to smaller, less formalized organizations which would otherwise be unable to navigate the various legal and administrative hurdles of international grant-making. However, Small Grassroots Organizations were not the major recipients of corporate foundation re-grants. Instead, Academic and Education Institutions received the majority of re-grants (39 percent), followed by GONGOs (24 percent), while Small Grassroots NGOs received only 9 percent of re-grants. We observer the reverse pattern for non-corporate foundations: A significant share of re-grants of non-corporate foundations monies go to Small Grassroots NGOs (29 percent) while only 8 percent of re-grants flow to GONGOs. We conclude that while intermediary organizations are widely used by corporate donors for cross-border grants, they do not appear to serve as significant funding vehicles for Chinese grassroots organizations.

**Are Foreign Corporate Foundations “Sustainable” Grant-Makers?**

We assessed three key aspects of sustainable grant-making: average *grant duration*, average *donor giving commitment*, and average *repeat support*. Combined, these three variables tell us how long grant commitments last, how committed donors are to repeated grant-making in China, and to what extent this donor commitment translates into continued support for current recipient organizations in China. (See pages 13 and 14 for variables and their description).

The average *grant duration* for the 705 grants made by U.S. corporate foundations between 2008 and 2012 was 1.03 years, showing that the vast majority of grants given by foreign corporate donors in/to China were short-term grants, given for a period of one year. Longer commitments, signified by grants
given over a longer time horizon, were extremely rare. Only 13 grants in total were given for two years or longer, and no grants were made for periods longer than three years.

However, average grant duration alone is a poor tool to measure how committed donors are to longer-term investments into China’s civil society. While it provides a means to assess the length of commitment per grant, it does not tell us anything about repeated engagement. A more meaningful way to understand to what extent donors are committed to repeated grant-making in/to China is to look at donor giving commitment. This measure allows us to assess the average number of years of commitment of individual donors, within a five-year period. Average donor giving commitment of U.S. corporate foundations making grants to support philanthropic activities in China between 2008 and 2012 was 2.87 years. The distribution pattern shows that during the five-year period, 22 percent of corporate foundations made grants in only one year, 28 percent in two years, 14 percent in three years, 14 percent in four years, and 22 percent in five years. The significant number of organizations which made one or more grants in each year throughout the five-year period is an indication that a sizeable share of corporate donors appears to have a strategic, longer-term focus on giving in/to China, even if grants are made for only one-year periods.

Another important aspect of assessing the sustainability of foreign corporate grant-making is to measure the repeated frequency with which recipient organizations have received grants from U.S. corporate donors. This measure allows us to assess whether recipient organizations have repeated access to funding, a necessary requirement for steady organizational growth and capacity building. Repeat support measures in how many years between 2008 and 2012 individual recipient organizations have received one or more grants form U.S. corporate foundations. Among the 204 recipient organizations of corporate foundations, 51 percent received grants in one year, 23 percent in two years, 11 percent in three years, 8 percent in four years, and only 6 percent in each year throughout the five-year period. Average repeat
support for recipient organizations was 1.95 years. The fact that average donor giving commitment was significantly higher than average repeat support suggests that while a significant share of corporate foundations repeatedly made grants to Chinese giving causes, this type of funding did not, in equal parts, translate into a continued support for specific organizations.

**Conclusion**

Our findings indicate that there is a unique pattern to U.S.-to-China corporate cross-border grants, which suggests highly risk-averse recipient selection among U.S. corporate foundation donors. Strong preference was given to home-based foreign organizations operating in China—either through direct programs or intermediary services. These types of organizations tend to share certain commonalities with U.S.-based donors, such as language, organizational structures, and legal requirements, and provide foreign donors with a more secure and straightforward way of international grant-making. A significant share of funding also went to Chinese government-led or government-affiliated organization types. Specifically, we found that U.S. corporate foundations were significantly more likely to fund GONGOs than non-corporate foundations, and tended to focus more funding on a smaller number of large-sized GONGOs. Finally, corporate foundations also favored funding independent Chinese organizations. This type of funding serves to strengthen charitable organizations operating with relative independence from the government. However, preference is given to medium to large-sized organizations, which are fully established, and have already achieved the necessary size and capacity to successfully operate. The vast numbers of small grassroots organizations had very little or no access to funds from foreign corporate grant-makers, even when re-granting from foreign NGOs or intermediary organizations were taken into account. Thus, with their recipient choices, U.S.-based corporate foundations—inadvertently or not—support the current power structures inherent in the Chinese nonprofit system, which favors government-
vested organizations, while systematically disadvantaging small independent organizations. Finally, we found that, from a recipient organization’s point of view, U.S.-based corporate grant-makers did not provide grants in a sustainable way. The vast majority of grants given by foreign corporate donors in/to China were short-term grants, given for a period of one year. While a significant share of corporate foundations repeatedly made grants to Chinese giving causes, this type of funding did not, in equal parts, translate into a continued support for specific organizations.

It stands to reason that corporate foundation funding behavior will only change in lockstep with changes to nonprofit sector structures in China. As more independent organizations gain a critical level of maturity and size, these types of organizations will be increasingly able to access foreign corporate foundations funds. Without further probing into the underlying reasons of recipient choices, it remains uncertain if and how grassroots organizations may be able to profit from corporate funding. Our conclusions are based on a sample that focuses on only one aspect of corporate giving—foreign foundation giving—and is limited to U.S.-to-China cross-border grants. The sample was chosen because to date, it represents the only reliable data set to study detailed funding flows of foreign corporate donors in China. While the analysis provided in this paper is statistically sound, more research is needed to explore other aspects of corporate grant-making, specifically direct giving through corporate headquarters and subsidiaries, as well as funding patterns of non-U.S. corporate donors. For example, one can surmise that philanthropic giving coming from domestic subsidiaries of foreign companies could potentially show significantly different funding patterns. Future research should also focus on exploring regional and topic focus areas of foreign corporate funding, as well as the underlying reasons for current corporate funding patterns, the latter, for example, through case study based research methods. Only with more research which explores the numerous aspects of foreign corporate charitable giving will we be able to assemble a comprehensive picture of the influence foreign corporations exert.
on the development of the non-profit sector in China—through their choice of modus operandi, focus and grantee.

References


## APPENDIX 1 – Recipient Type Classification

<table>
<thead>
<tr>
<th>Recipient Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Department, Ministry and Agency</td>
<td>Refers to administrative units of government, tasked with specific public responsibilities and established by national, regional or local governments, e.g. Provincial Department of Education.</td>
</tr>
<tr>
<td>Mass Organization</td>
<td>Refers to organizations defined by the Chinese government, in the form of membership associations for a specific broad population group. Most of these mass organizations are politically subordinated to the political leadership of the party. The list of government-defined Mass Organizations includes 21 organizations, such as: All-China Federation of Trade Unions, Communist Youth League of China, All-China Women's Federation, China Association for Science and Technology, All-China Federation of Returned Overseas Chinese, China Disabled Persons Federation.</td>
</tr>
</tbody>
</table>
| Academic & Education Institution       | Refers to organizations specifically engaged in academic research or education, mostly registered as Institutional Organizations (shiyedanwei, 事业单位), including:  
1. Public and private kindergarten, elementary school, middle school, vocational school, college, and university, e.g. Peking University  
2. Professional training school, e.g. Party school  
3. Academic institutions focusing on researching, sometimes with education programs, e.g. China Academy of Social Science.                                                                                                                                 |
| Other Institutional Organization       | Refers to organizations which are, in most cases, financially supported by the government, legally registered as Institutional Organizations under specific regulations, and operationally engaged in providing public services, e.g. public hospitals, urban planning & design institutes, evaluation and monitoring centers, etc. Academic & Education Institutions are excluded.                                                                                           |
| GONGO                                  | Refers to charitable organizations primarily initiated by, supported by or affiliated with the government. Usually these organizations feature heavy bureaucratic organizational structures and preferred access to government resources. They are registered as Social Organizations (shehui tuant, 社会团体), Non-enterprise Units Run by NGOs (minban feiqiye danwei, 民办非企业单位), and Foundations, e.g. Red Cross Society of China.                        |
| Small Grassroots NGO                   | Refers to small charitable organizations founded and operated by independent citizens, working for the public good in specific grassroots communities. Some of these organizations are legally registered as Social Organizations or Non-enterprise Units Run by NGOs, e.g. Beijing China-Dolls Culture Center; while others fail to meet the registration threshold and end up with commercial registration or no registration, e.g. AIDS Care China. |
| Independent NGO                        | Refers to medium or large charitable organizations independent from the government. These include:  
1. Most of the organizations registered as Non-Public Foundations (feigonmu jijinhu, 非公募基金会), e.g. Narada Foundation.  
2. Medium or large scale organizations which grew from small grassroots NGO and but have now gained significant social impact, registered as Social Organizations or Non-enterprise Units Run by NGOs, e.g. Non-Profit Incubator.  
3. Membership-based associations initiated and supported by a group of people sharing the same hobby, e.g. China Kun Opera and Guqin Research Institute. |
| HK/TW/MA-based NGO                     | Refers to charitable organizations primarily registered in Hong Kong, Taiwan or Macau.                                                                                                                                                                                                                                                                 |
| International Intermediary            | Refers to charitable organizations primarily registered outside China, serving as intermediary of overseas philanthropy donations, e.g. Give2Asia.                                                                                                                                                                                                 |
| International Project-Running NGO      | Refers to charitable organizations primarily registered outside China, having a project focus related to China, e.g. Roots and Shoots.                                                                                                                                                                                                                                             |
| Corporation                            | Refers to organizations registered as business entities.                                                                                                                                                                                                                                                                                                         |
| Others                                 | Refers to:  
1. Anonymous recipients  
2. Undefined recipients  
3. Partnerships without legal form                                                                                                                                                                                                                                                                                                                                 |
|                                         |                                                                                                                                                                                                                                                                                                                                                                                                             |