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Initiative on Philanthropy in China

Same Bed, Different Dreams? The Divergent Pathways of Foundations and Grassroots NGOs in China

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On November 13, 2013 five Chinese NGOs presided over a China Foundation Ranking awards ceremony for Chinese and international foundations at the Shonnbrun Hotel in Beijing. The event was the culmination of a project started that summer to survey over 100 grassroots NGOs to ask them to evaluate both Chinese and international foundations. In the end, 50 Chinese foundations and 98 international foundations and NGOs were evaluated on five criteria, and the top five Chinese foundations and the top five international foundations were given an award at the November ceremony.

The China Foundation Ranking was the latest in a series of events held to reflect on the Chinese philanthropy sector's development, and to raise questions about what the rapid emergence of Chinese foundations over the last few years means for philanthropy and civil society. While many foundations have appeared, they have been criticized by many in the sector for being too removed and not engaged in promoting the development of the sector or supporting the work of Chinese NGOs. The China Foundation Ranking event was unique in being the first to ask grassroots NGOs to engage in a public evaluation of foundations. As a piece of advocacy, it could be seen as an effort by NGOs to get foundations to re-evaluate their work with, and support of, NGOs. As Chen Yimei, the executive director of China Development Brief, noted “[the China Foundation Ranking] helps to make foundations realize that they should treat NGOs with more equality in their partnerships, rather than just assume a top-down relationship....” About the event's timing, she added, “It's a critical moment, a time when foundations are thinking about their operating model and the philanthropy sector is contemplating whether we should have more grant-making foundations.”¹

¹ Tom Bannister, “NGOs have their say: The 2013 China Foundation Rankings,” China Development Brief (English), available online at <http://www.chinadevelopmentbrief.cn/?p=2903>, accessed September 10, 2014.

This paper examines why Chinese foundations and NGOs, which conceptually are part of the same civil society universe, are so different in their views and approaches, and whether or not progress is being made in closing the gap between them. As a number of Chinese philanthropy practitioners have noted, foundations and NGOs should be natural allies and strategic partners.² When asked why the two have such a hard time cooperating, some note that it is because they have a difficult time communicating and finding capable partners on the other side of the aisle. They also blame the lack of collaboration on the newness of NPFs and their lack of a clear mission, and their interest in carrying out their own projects than funding NGOs. Another reason is that foundations lack confidence in NGOs, are driven by corporate interests and tend to fund organizations and projects that are not politically sensitive³.

While these reasons all have some truth to them, they suffer from focusing the blame on one side and glossing over their historical and structural differences. In this paper, we propose that to better understand the lack of cooperation between Chinese foundations and NGOs, we need to look past their conceptual similarities and understand their distinct development paths. These development paths, and the structural and cultural differences they have engendered, can be helpful in explaining why foundations are reluctant to fund grassroots NGOs.

² See the following articles reporting on the discussions between Chinese foundations and NGOs at the first and second sessions of the China Private Foundation Forum in 2009 and 2010 respectively: Liu Haiying (2009), "The Impact of Private Foundations on Domestic NGOs," *China Development Brief* 42(Summer), available online in English at , accessed on 10 September 2014; Liu Haiying (2010) "Develop Philanthropy Through Debate and Cooperation," *China Development Brief* 48 (Winter), available online in English at <http://www.chinadevelopmentbrief.cn/?p=159>, accessed on 3 October 2014.

³ Anonymous (2013) *Evaluation Rankings: China Foundation Evaluation Rankings* (Pingjia bang: zhongguo jijinhui pinjia bang), available online at <http://blog.sina.com.cn/foundationpjb>, accessed on 11 October 2014.

Our arguments are based on a review of the existing literature and recent surveys of both foundations and grassroots NGOs, and semi-structured interviews with 16 foundations (11 private and 5 public) as well as other foundation and NGO experts and practitioners.

This paper is divided into several parts. The first section explains key concepts and issues, and defines the scope, of our research. The second section examines the different development trajectories of foundation and grassroots NGO development in China over the last few decades. The third section uses these trajectories to explain the obstacles standing in the way of Chinese foundation grant-making to grassroots NGOs. The conclusion discusses some promising signs of recent collaboration between Chinese foundations and grassroots NGOs and offers some preliminary observations about where we can expect progress on foundation grant-making in the near future.

I. Concepts, Issues and Scope

In this section, we address two challenges to carrying out research on philanthropy and civil society in China. One is the difficulty of translating concepts and terminology from Chinese to terms that are recognizable to scholars of philanthropy in the West. The second, and related challenge, is the difficulty of making comparisons between China and countries in the West where philanthropy and civil society have developed over a much longer period of time.

In terms of concepts and terms, the most important ones are civil society, foundations, and grassroots NGOs. For civil society, we use Lester Salamon's widely-used international definition which identifies five key features of civil society institutions: they are organizations, private, not profit distributing, self-governing, and voluntary in nature⁴. We think of these features in relative rather than absolute terms. For example, in China, the

⁴ Lester Salamon, et. al, (1999) *Global Civil Society: Dimensions of the Nonprofit Sector* (Baltimore, MD: The Johns Hopkins Center for Civil Society Studies): 3.

extent to which civil society organizations (CSOs) such as foundations and NGOs fit these “private” and “self-governing” criteria varies depending on the relationship with the party-state. Many foundations and NGOs in China are GONGOs (*guanban zuzhi*) with close ties with the state apparatus, while others are more grassroots (*minjian* or *caogen*) with few or no ties to the state. For foundations, there are two major categories of foundations in China that were created by the 2004 Regulations on Management of Foundations: public fundraising foundations (PFF, *gongmu jijinhui*), and non-public fundraising foundations (NPF, *feigongmu jijinhui*)⁵. The former have the authority to fundraise through public channels, while the latter do not. Sometimes, the nonpublic fundraising category is divided into a) independent foundations (*duli jijinhui*) which were founded with a donation from a single individual or entity, and b) collective foundations (*gongtong jijinhui*) which were founded with donations from two or more individuals or entities.⁶ While we use the terms “operational foundations” (foundations that operate their own projects) and “grant-making foundations” (foundations that give grants to other NGOs) throughout this paper, we should caution that these terms are rarely used in China. One of the challenges of researching this topic is that most Chinese foundations do not clearly distinguish between the two in rhetoric or practice. This ambiguity is understandable given that such concepts were not part of “traditional” philanthropic practices during much of the post-1978 period, and that philanthropy has been in a state of transition over the last 10 years.

For NGOs, the official Chinese term used is “social organizations” (*shehui zuzhi*), of which there are three categories: social associations (*shehui tuanti*), civil non-enterprise units (*minban feiqiye*) and foundations (*jijinhui*). In this paper, we use the term NGO to refer only to the first two categories, as well as to other nonprofits registered as businesses or are

⁵ We chose to use the acronyms PFFs and NPFs instead of public foundations and private foundations because these same terms are used in the U.S. context to mean something quite different. We would like to thank Chen Yimei for pointing this out.

⁶ Wang Ming and Xu Yusha (2010) “Foundations in China,” *China Nonprofit Review* (2): 22.

unregistered. In other words, we make a distinction between foundations and other NGOs, particularly grassroots NGOs which we define below. This distinction presents a challenge to our research because many foundations do not necessarily make this distinction. To them, foundations are also NGOs, so when they think of grant-making and supporting NGOs, they sometime include grant-making to other foundations. This conceptual confusion, and the lack of clear distinctions between, and understanding of, different types of nonprofits in China is, as we explain in a later section, one reason why Chinese foundations often do not support grassroots NGOs.

The challenge of making comparisons about civil society organizations across countries is the temptation to use the U.S., where the voluntary sector and data on the voluntary sector is the most developed, as the representative case.⁷ This paper could be a case in point. In seeking to understand the disconnect between foundations and NGOs, we are using the U.S. case as the norm by assuming that foundations in general should support NGOs by engaging in grant making. If we take the private, independent foundation - the most representative type of foundation in the U.S. - as an example, the large majority are grant-making, rather than operational, foundations although it should be cautioned that the terms “grant-making” and “operational” are not legal ones⁸. But this may not be the norm in other countries. Toepler (1999: 219) points out that in Germany, a larger share of private foundations do a blend of grant making and operating programs, although grant-making still appears to be the dominant practice. In other words, foundations that are pure grant makers, such as Rockefeller and Ford, tend to reflect the American reality more than the reality in other countries.

⁷ Stefan Toepler, “(1999) On the Problem of Defining Foundations in a Comparative Perspective,” *Nonprofit Management and Leadership*, 10:2 (Winter): 215-225.

⁸ See National Center for Charitable Statistics website, nccsdataweb.urban.org.

With this caveat in mind, we still believe the issue of foundation support for NGOs in China is still a valid and important topic for investigation for several reasons. One is because this topic has been one of the most hotly discussed topics in China's civil society sector over the last few years as the attention given to the China Foundation Ranking event shows. Chinese grassroots NGOs are entering a critical time in their development. While they are growing rapidly, many are still small and weak and will require more resources if the independent NGO sector is to develop in a healthy direction. At the same time, an important source of grassroots NGO funding - international aid from multilateral agencies, foreign governments and NGOs - has declined over the last decade. To counter this decline, many in the sector look to Chinese foundations which have grown rapidly during this same period but have not been as supportive as many observers would like. Recognizing the urgency of this issue, a number of Chinese foundation and NGOs leaders have played an important role in promoting closer relations between foundations and NGOs, and prominent philanthropic forums such as the China Private Foundation Forum, the China Charity Fair have highlighted the issue on a regular basis.⁹

A second reason is because of the large gap that exists between Chinese foundations and NGOs. Available data shows that only a very small number of Chinese foundations actually give grants to NGOs. One 2012 report on the Chinese foundation sector noted that only a very small percentage of Chinese foundations - 1.6% of all PFFs and 13.2% of all NPFs - could be categorized as grant-making.¹⁰ A 2012 survey of Chinese NPFs came up with similar findings, showing that operational foundations dominated with 73.2% of

⁹ As examples, see Liu Haiying (2010) "Develop Philanthropy Through Cooperation and Debate"; Liu Haiying (2009) "The Third Path of Development for NGOs: An Interview with Xu Yongguang, Vice-Chairman and Secretary-General of the Narada Foundation," *China Development Brief*, no.42 (Summer), available in English at <http://www.chinadevelopmentbrief.cn/?p=217>, accessed on 12 October 2014.

¹⁰ Kang Xiaoguang, et.al. (2012) *The Development of Chinese Foundations* (Social Sciences Academic Press): 162.

respondents saying their staff operated the foundation's own charitable programs.¹¹ According to the survey, grant-making was a very small part of these foundation's activities. Of the 214 foundations that responded out of a total of 1,096 registered NPFs in China (based on 2011 data), only 88 (or 41%) gave grants to other organizations but only 19 of those 88 (21.6%) actually gave grants to grassroots social organizations (*minjian gongyi zuzhi*) or NGOs.¹² In terms of dollar amounts, only 13.5% of the grants disbursed by these 88 foundations went to NGOs. The large majority (62.9%) went to public universities, high schools and other public service government entities, while another 6.5% went to government agencies and 5.8% went to other foundations. The 2013 China Foundation Ranking survey of grassroots NGOs came up with similar findings. The 103 NGOs that responded to the survey identified and evaluated 148 funders of which only 50 were Chinese foundations, while 98 were international foundations and NGOs. Of these 50 Chinese foundations, only 14 were evaluated by five or more NGOs, five of them PFFs and nine NPFs (see Appendix 1).

Finally, a clearer understanding of the obstacles that stand in the way of an improved foundation-NGO relationship is critical to establishing a more rational and effective division of labor within China's philanthropic ecosystem¹³. At present, that ecosystem has been undergoing tremendous change as a result of the recent liberalization of the philanthropic sector, and the regulations and norms for the sector, and the roles and responsibilities of the main players, remain ill-defined and fluid. In theory, the comparative advantage of foundations is their ability to raise funds from society and identify effective, innovative and

¹¹ "A National Survey of the Development Situation of Private Foundations in China."

¹² Anecdotal evidence suggests that many of the registered private foundations do very little programming either in terms of grantmaking or operating projects, so it is very likely that these percentages of 41% and 21.6% would be drastically smaller if the remaining 882 foundations that had not responded were included in the sample.

¹³ Interview with Zhuang Ailing, executive director of the NPO Development Center in Shanghai, 30 September 2014. See also Mercy Corps China (2010) "China Foundation Industry Needs Assessment Report," p.4.

strategic uses for those funds to address social problems, while the comparative advantage of NGOs is their ability to carry out programs addressing social problems by reaching out to diverse communities and populations.¹⁴ Foundation grant making to NGOs thus takes advantage of their respective comparative advantages, and contributes to a more efficient and effective use of social resources in improving the public good. In the case of China in particular, grant-making allows foundations to play to one of their distinctive functions of identifying important long-term initiatives that may not be recognized or supported by others, such as cultivating a healthy civil society in China.¹⁵

While there is variation in the form that foundations assume across countries, the available evidence suggests that grant making is the norm in the foundation sector. The majority of foundations and certainly the leading names in the foundation world, are grant-making. As a Chinese study of needs assessments for Chinese foundations points out, citing 2008 data from the U.S. Foundation Center, of the 75,595 registered foundations in US, there were only 4,762 operating foundations, or about 6.3% of the total, while independent grant-making foundations counted for about 80.7% of the total¹⁶. Toepler (1999) suggests grant-making foundations are also the majority in Germany. Yet in China's current environment, there still exists a great deal of confusion and uncertainty among both foundations and NGOs regarding their identity, roles, and strategic development, and thus over their division of labor. This article hopes to provide greater understanding, clarity and direction to foundations and NGOs thinking about how best to collaborate.

¹⁴ Joel L. Fleishman (2007) *The Foundation: A Great American Secret* (New York: Public Affairs):

¹⁵ Lai Weijun and Zhu Jiangang (2013) "Collaboration between Foundations and Grassroots NGOs in China: From the Perspective of Grantmaking" (jijinhui yu NGO hezuo - zizhude jianse), *2012 Blue Book of Civic Philanthropy* (2012 Gongyi Lanpishu), Social Sciences Academic Press (China), pp.147-151; Liu, Hailong (2011) "Public-Interest Supply Functions of Non-Public Funding Foundations: a Typology, Supply Pathways and Optimal Policies" (公共利益的供给功能、类型、供给途径与最优政策) (*The China Nonprofit Review* 3(2): 196.

¹⁶ Mercy Corps China (2010) "China Foundations Needs Assessment Report," p.16.

In terms of the scope of our research, we focus on the relationship between Chinese foundations (both PFFs and NPFs) and grassroots public benefit NGOs, which is a small subset of the larger NGO universe in China. By grassroots organizations (*caogen zuzhi* or *minjian zuzhi*), we mean NGOs with few or no ties to the government and closer ties to grassroots communities and their concerns¹⁷. We do not, for example, include social organizations with close government ties (GONGOs) such as the All-China Environment Federation which was established by the State Administration for Environmental Protection (now the Ministry of Environmental Protection). Moreover, our research inquiry is focused not just on grassroots NGOs, but those that are public benefit in nature. In other words, they address public issues that extend beyond the narrow interests of the members of that organization. Thus we do not include in the scope of our research membership or mutual-aid associations such as trade associations, chambers of commerce, rural technical cooperatives, or the many cultural, recreational, and academic clubs and associations that make up the large majority of social organizations in China.¹⁸ Unlike many of these mutual-aid associations which either rely on membership dues or are informal in nature, these grassroots, public benefit NGOs generally have an office, staff and the capacity to raise funds and carry out projects, and are thus the natural beneficiaries of foundation grants.

¹⁷ This definition of grassroots NGOs borrows from Spires, Anthony (2011) "Contingent Symbiosis and Civil Society in an Authoritarian State: Understanding the Survival of China's Grassroots NGOs," *Journal of Civil Society* 117:1 (July): 10-11, and Shawn Shieh and Amanda Inz-Brown (2013) "Mapping China's Public Interest NGOs" in Shawn Shieh, et.al. eds, *Chinese NGO Directory* (China Development Brief): xi-xii, available online at <http://www.chinadevelopmentbrief.cn/?p=1958>, accessed September 28, 2014.

¹⁸ For a discussion of the larger NGO or social organization landscape in China, see Wang Shaoguang and He Jianyu (2004), "Associational Revolution in China: Mapping the Landscape" *Korea Observer* 35:3(Autumn): 485-533; Wang Ming (2011) "The Development of Civil Organizations and the Road to Civil Society in China," in Wang Ming, ed. *Emerging Civil Society in China 1978-2008* (Brill): 1-57; and Andrew Watson (2008) "Civil Society in a Transitional State: The Rise of Associations in China" in Jonathan Unger, ed. *Associations and the Chinese State: Contested Spaces* (Armonk, NY: M.E. Sharpe): 14-47.

An Emerging Philanthropic Sector: Foundations and Grassroots NGOs in China

Both foundations and grassroots NGOs have been relatively recent creations in China. The first foundations emerged in the early 1980s starting with the China Teenagers and Children's Foundation which was founded in 1981. These early foundations were GONGOs that came about with the blessing of individuals and offices within the party-state hierarchy, and belong to the category of PFFs created by the 2004 Foundation Regulations. Thus, the China Teenagers and Children's Foundation was started due to the efforts of a number of prominent mass organizations and GONGOs such as the All-China Women's Federation, All-China Federation of Trade Unions and Communist Youth League, while the Soong Chingling Foundation established in 1982 was approved by the Communist Party of China's (CPC) Central Committee with Deng Xiaoping as its honorary chairman¹⁹. The first Regulations on Management of Foundations however did not appear until 1988 and was revised again in 2004. NPFs, which were not a legal category until the Foundation Regulations were revised in 2004, have had an even shorter history but have experienced extremely rapid growth over the last few years. NPFs in China numbered 140 in 2004, the year the Foundation Regulations were issued. By the end of 2011 that number had risen to 1,373, exceeding the number of PFFs, in the short span of seven years.

Similarly, grassroots public benefit NGOs have also been fairly recent creations. Precursors of these NGOs can be traced as far back as the 1980s with the emergence of mutual-aid groups such as scholarly associations, cultural societies and clubs and rural agricultural and credit cooperatives that were essentially unregistered or existed under the cover of formal institutions.²⁰ Wang Ming notes a wave of associational activity during this period with the establishment of national-level associations such as the YMCA and YWCA, the Lawyer's Association, The China Anti-Tuberculosis Association, the China Family

¹⁹ Wang and Xu, "Foundations in China," p.26; Karla Simon, *Civil Society in China*, p.200.

²⁰ Karla Simon, *Civil Society in China*, pp.195-198.

Planning Association, and the China Consumers' Association. These GONGOs then spawned local branches around the country.²¹ But public benefit NGOs that took on institutional forms more in line with international standards - having an office, staff and mission and raising funds to carry out projects in line with their mission – did not emerge until the early 1990s when organizations such as Beijing Maple Women's Psychological Counseling Center and Friends of Nature, came on the scene. Jude Howell describes this trend as marking a new phase in the development of China's civil society:

From the early 1990s onward...a new stratum of associations concerned with societal groups that are marginalized and vulnerable in the process of reform emerged.... These new organizations include women's groups; legal counseling centers for women, children and workers; prisoners' wives groups, rural development centers and organizations; associations for people living with HIV/AIDS; self-help cancer groups; poverty alleviation associations; disabled groups; and charitable foundations.

Many of these early grassroots NGOs were unable to register with Civil Affairs as "social organizations" (*shehui zuzhi*) and as a result registered as businesses, or affiliated with a legally-registered organization²². Since the early 2000s, grassroots, public benefit NGOs have grown quickly. But even today, there are not as many as is reflected in the speculative estimates of several million NGOs offered by some experts. Indeed, over the last few years, two major surveys of grassroots, public benefit NGOs have been carried out and the results recently published. One survey of NGOs from Beijing, Guangdong and Yunnan

²¹ Wang Ming (2011), "The Development of Civil Organizations" in Wang Ming, ed. *Emerging Civil Society in China 1978-2008* (Brill): 14-21. For other writings on this period, see Gordon White, Jude Howell and Shang Xiaoyuan (1996) *In Search of Civil Society: Market Reform and Social Change in Contemporary China* (Oxford: Clarendon Press), and Ma Qiusha (2004) *Non-governmental Organisations in China* (London: Routledge): chapter 2.

²² See Anthony Spires, "Contingent Symbiosis and Civil Society in an Authoritarian State: Understanding the Survival of China's Grassroots NGOs," *Journal of Civil Society* 117:1 (July): 1-45; Deng Guosheng (2011) "The Hidden Rules Governing China's Unregistered NGOs: Management and Consequences," *The China Review* 10:1(Spring): 183-206. Some of these early grassroots NGOs can be found in several NGO Directories created around 2000. See Tsinghua NGO Research Center (2002) *The 500 NGOs in China* (United Nations Centre for Regional Development). *250 Chinese NGOs: Civil Society in the Making* (China Development Brief, 2001).

yielded 264 NGOs²³. The other, a nationwide survey, came out with 251²⁴. While these surveys did not claim to be exhaustive, and excluded NGOs that had just been founded in the last two years, these numbers suggest that the number of grassroots, public benefit NGOs may number no more than tens of thousands at the most.

If the history of these two forms of civil society organizations has been relatively brief, the history of the interaction between them has been even shorter. Very little collaboration took place between the early foundations and the early grassroots NGOs from the 1980s to the late 2000s. Most of the better-known grassroots NGOs that came about in the 1990s were being funded by international sources that included international foundations and NGOs working in China, foreign governments and embassies, and multi-lateral aid agencies (see the next section below). One of the earliest recorded instances of formal collaboration between a Chinese foundation and grassroots NGOs was a village-level poverty-relief project in 2005 in which the Jiangxi provincial government contracted out services to NGOs to implement the project²⁵. To identify and select the NGOs, the provincial government asked the China Foundation for Poverty Alleviation to manage the competitive bidding process which resulted in the selection of six NGOs. A few years later, as NPFFs began to emerge on the scene, a few such as the Narada Foundation (2007), YouChange Foundation (2007), Vantone Foundation (2008), and Alashan SEE Foundation (2008) were established and began to actively fund grassroots NGOs.

The watershed event in stimulating more regular interactions between foundations and grassroots NGOs was the 2008 Wenchuan earthquake when many NGOs, foundations

²³ Spires, Anthony, et.al. (2014) "Societal Support for China's Grassroots NGOs: Evidence from Guangdong, Yunnan and Beijing" *The China Journal* (January): 65-90.

²⁴ Shieh, Shawn, et. al., ed. (2013) *Chinese NGO Directory: Chinese Civil Society in the Making* (Beijing: China Development Brief).

²⁵ This case is often cited as the earliest pilot with government contracting which began to be carried out on a large scale in the early 2010s. Xu Hui, "China Civil Society Report: Solving Cooperation Model Between Foundations and Grassroots NGOs," 3 July 2009, available online at <http://www.nautilus.org/fora/security/09054Xu.html>, accessed September 8, 2014.

and volunteer groups rushed to the stricken area to participate in the rescue and reconstruction phase of the relief effort (Shieh and Deng 2011). The timing of the earthquake also coincided with the founding of several NPFs – Narada, Vantone, Alashan SEE, the One Foundation – which later took the lead in grant making to grassroots NGOs. In addition, the earthquake brought into the open the monopolistic position enjoyed by two GONGOs - the Chinese Red Cross and the China Charity Federation - in raising public funds to assist in disasters. To make matters worse, neither of these were even registered as public fundraising foundations. The Chinese Red Cross has its own law, while the China Charity Federation is registered as a social association (*shehui tuanti*).²⁶ Soon after the earthquake, the State Council issued a “Notice on Enhancing Management and Use of Wenchuan Earthquake Disaster Relief Funds and Materials” that allowed PFFs with a disaster relief mission, such as the China Foundation for Poverty Alleviation (CFPA), to raise public funds for the earthquake relief.

Together these changes precipitated by the earthquake created the conditions for foundations, both public and private, to begin considering funding of grassroots NGOs. The Narada Foundation set the tone. It created a special fund of 10 million RMB to fund NGOs involved in disaster relief and post-disaster reconstruction. By April of 2009, it had received 181 project applications from 141 NGOs, and approved 70 proposals. In the end, 24 projects were completed and a total of 7.27 million RMB in funds were approved. YouChange Foundation and the One Foundation also provided funding²⁷. The Chinese Red Cross jumped on board in June of 2008 by making available for the first time in its history 20 million RMB to be disbursed to NGO post-disaster reconstruction projects through a public tendering process. On 21 May 2009, Narada held a “NGO Cooperation Forum for 512 Post-

²⁶ See Shawn Shieh and Guosheng Deng (2011) “An Emerging Civil Society: The Impact of the 2008 Sichuan Earthquake on Grassroots Associations in China,” *The China Journal* 65(January): 181-194.

²⁷ Liu Haiying (2009) “The Impact of Private Foundations on Domestic NGOs.”

Disaster Reconstruction” in Beijing, in which one of the topics discussed was cooperation between foundations and grassroots NGOs. At that forum, Liu Wenkui, Deputy Secretary-General of the CFPA, a public foundation with close ties to the State Council’s Poverty Alleviation Office, announced that they planned to give 10 million RMB to grassroots NGOs. Since then, the CFPA has committed itself to the strategic goal of changing from an operational foundation to a grant making foundation²⁸.

These recent changes fostering closer ties between Chinese foundations and grassroots NGOs are encouraging, but they also gloss over historical differences between foundations and grassroots NGOs that need to be recognized and addressed if healthy collaboration between these two civil society actors is to move ahead.

II. Divergent pathways in the evolution of foundations and NGOs

To better understand the challenges standing in the way of strengthening collaboration between Chinese foundations and grassroots NGOs, we first need to understand the different pathways by which these CSOs developed in China. In their article analyzing trends in the development of China’s social organizations, Wang Ming and Sun W. (p.168) allude to these different pathways in pointing out four major dynamics shaping the organizational structures of China’s social organizations: the imitation of Party-state structures; learning from foreign NGOs; the growth of government regulations for the philanthropic sector; and the development of self-regulation within the sector. Our argument is that the first two dynamics - imitating Party-state structures and learning from foreign NGOs - did not influence all civil society equally. Rather, the first dynamic had the largest impact on PFFs and other types of GONGOs, while the second dynamic had the largest impact on grassroots NGOs, with

²⁸ Xu Hui (2009), “China Civil Society Report: Solving Cooperation Model between Foundations and Grassroots NGO,” 3 July, available online at <http://www.nautilus.org/fora/security/09054Xu.html>, accessed September 8, 2014; Shieh and Deng, “An Emerging Civil Society.”

NPPFs being influenced by both dynamics, as well as the imitation of corporate values and practices. These different influences or pathways constitute an important reason for the institutional and cultural barriers that prevent greater collaboration between foundations and grassroots NGOs.

This path-dependent argument is not new. It was first made by Xu Yongguang with regard to PFFs, but in this paper, we apply it as well to NPPFs and to grassroots NGOs.²⁹ In this section, we show that different developmental pathways have resulted in organizations with quite different values, interests and missions. Many of the difficulties facing foundation-NGO collaboration stem from these differences. PFFs came out of a milieu in which they enjoyed close ties with government agencies, mass organizations and public institutions (*shiye danwei*) within the official system. This top-down, government-organized philanthropic ecosystem dominated China's philanthropy scene from the early 1980s until the late 2000s, and its legacy remains an powerful influence shaping the current development path of foundations and NGOs. NPPFs have had a much shorter history, many of them originated from the private business sector either as a result of a major gift from a company or a businessperson. As private businesses, they were part of the social mainstream and enjoyed close ties with those in the official system and thus had either operated in, or at least were familiar with, this government-organized philanthropic ecosystem. But structurally, they were not part of this ecosystem and they emerged at a time when international philanthropic approaches were making inroads into China. In contrast, grassroots NGOs emerged from the margins of a society that knew little about their activities, and had few if any ties with either the official system or with the private sector. Many of the more prominent

²⁹ Xu Yongguang (2013) "Reform and Transition of Public Fundraising Foundations: Challenges and Innovation" (*Gongmu jijinhui gaige zhuanxing: kunjing yu chuangxin*) in Yang Tuan, ed. (2013) *2012 Blue Book of Philanthropy* (Beijing: Social Sciences Academic Press): 131.

grassroots NGOs were shaped by international funding and exposure to international values and practices.

PFFs: practitioners of “traditional” philanthropy

Because Chinese PFFs constitute the oldest and largest philanthropic organizations in reform China, their development path has left a powerful and lasting mark on the philanthropic culture and ecosystem that has developed in China over the last few decades. Some scholars refer to this ecosystem as “traditional Chinese philanthropy” or “philanthropy with Chinese characteristics.”³⁰ This traditional ecosystem includes not only PFFs (which prior to 2004 were referred to as simply foundations) but also other philanthropic organizations such as the Chinese Red Cross, which is governed by its own law, and the China Charity Federation which is registered as a social association (*shehui tuanti*) yet, unlike other social associations, enjoys public fundraising powers. During the 1980s and 1990s, this ecosystem produced a number of projects that became well-known not only among the Chinese public but also internationally. Perhaps the best-known is Project Hope, which was started in the late 1980s by the China Youth Development Foundation, then under the leadership of Xu Yongguang, to build Project Hope schools for children in poor rural areas of China. Others include the China Children and Teenager Foundation’s “Spring Buds Program” to provide schooling for girls from low-income families, the China Population Welfare Foundation’s “Project Happiness” providing assistance to mothers from low-income families, and the China Women Development Foundation’s “Mother’s Cistern Project” to improve

³⁰ See Wang Ming and Xu Yushan (2010) “Foundations in China,” *The China Nonprofit Review* (2): 26-29; and Xu Yushan (2011) “From Closed to Open: Chinese Foundations ‘Ways’ of Distributing Funds,” *The China Nonprofit Review* (2): 180-189; Feng Xiaoming (2013) “China’s Charitable Foundation: Development and Policy-Related Issues,” Stanford Center for International Development Working Paper no. 485 (October). The use of the term “traditional” may be misleading because it refers to a tradition that was established during the early part of the reform period (1980s to the early 2000s), not to the earlier pre-1949 philanthropic tradition which was quite different. For work on Chinese philanthropy prior to the Communist revolution, see Joanna Handlin Smith (2009) *The Art of Doing Good: Charity in Late Ming China* (Berkeley: University of California Press), and Karla Simon (2011), *Civil Society in China*, chs. 3-5.

access to drinking water to people in poor, mountainous areas. For many Chinese, when they think about charity or philanthropy, they associate it with programs like these, or with being asked to donate in times of major disasters.

This traditional philanthropic ecosystem is characterized by several features which make it a very different model from philanthropy in most Western countries³¹ : 1) Philanthropic organizations are established with support and resources from the party-state system; 2) Philanthropic organizations focus on public benefit goals closely aligned to government priorities such as poverty alleviation, education, and disaster relief; 3) Philanthropic organizations use their quasi-governmental authority to carry out public fundraising through broad public campaigns that brought pressure on enterprises and individuals to “donate”; 4) Philanthropic organizations use their funds to carry out their own large-scale projects that are publicized through official channels.

To provide some examples, each of the national foundations mentioned above was established with backing from a national-level government agency or party-initiated mass organization. This backing included investment of registered capital, financial subsidies, office facilities, administrative support, and personnel³². For example, the China Youth Development Foundation’s official backer is the Communist Youth League, the China Women Foundation’s backer is the All-China Women’s Federation, the China Population Welfare Foundation’s backer was the State Family Planning Association, the China Foundation for Poverty Alleviation’s backer is the State Council’s Poverty Alleviation Office, and so on. These official backers served as a crucial resource for these foundations because they had a national network of offices at every level of the hierarchy that the foundations could tap into whenever they needed to raise funds from the public or carry out their projects. As Kang Xiaoguang, Lu Yiyi, Xu Yushan and others show in great detail, many of the

³¹ Wang Ming and Xu Yushan, “Foundations in China,” pp.26-29.

³² Wang Ming and Xu Yushan, p.27.

projects mentioned above were carried out in large part on a volunteer basis by local offices of the foundation's official backer.³³ Thus, official backing enabled Chinese foundations to not only extend their reach nationwide, but also to keep their administrative costs low.

Essentially, this philanthropic ecosystem can be described as an outgrowth of the party-state administrative system, a form of government-organized philanthropy that is top-down, monopolistic, project-oriented and uses administrative power and resources to extract donations from the public, and implement projects. While it is not the only philanthropic model practiced in China, it is the dominant one and was the subject of public debate and criticism following the 2008 Sichuan earthquake and scandals in 2011 such as the Guo Meimei incident that called into question the integrity of GONGOs and PFFs such as the Chinese Red Cross, Soong Ching-ling Foundation, the China Youth Development Foundation, among others. These events raised questions about the traditional, government-organized philanthropic ecosystem, its lack of transparency, and the special privileges given to philanthropic organizations that operated within this ecosystem. Most importantly, for our purposes, it is a philanthropic model fundamentally at odds with international philanthropic models which have more open, transparent, and competitive value chains in which a wide range of organizations - foundations, nonprofits, social enterprises, consulting and research firms - share distinct roles, and collaborate and compete with one another. In the government-organized model, there is no role for nonprofits and other intermediary organizations since foundations and their official backers fundraise and implement projects in a closed loop.

³³ China Youth Development Foundation's Project Hope has, in particular, been the subject of several academic studies. See Kang Xiaoguang (1997) *Creating Hope: A Study of the China Youth Development Foundation* (Chuangzao Xiwang: Zhongguo Qingshaonian Fazhan Jijinhui Yanjiu) (Guilin: Lijiang Publishing House and Guangxi Normal University Publishing House); Hsu, Carolyn (2018) "Rehabilitating Charity in China: The Case of Project Hope and the Rise of Nonprofit Organizations," *Journal of Civil Society* 4(2):81-96; Lu Yiyi (2009) *Non-Governmental Organisations in China* (Routledge): chs 3-4.

It was only after the 2008 Sichuan earthquake, with the emergence of NPFFs, the rapid growth of grassroots NGOs and social media, the dissemination of other philanthropic models, and the public criticism of this closed system following successive scandals that hit PFFs in 2011, that PFFs have been willing to venture outside of this ecosystem. Indeed, according to a number of the foundation staff we interviewed, the pressure to be more open and accountable to both their public and corporate donors has become an important factor shaping the development trajectory of PFFs and a major consideration when deciding whether to engage in grant-making.

NPFFs: caught between competing philanthropic approaches

Compared with the development pathway of PFFs, the development pathways of NPFFs and grassroots NGOs is more difficult to generalize about but some preliminary observations can be made. NPFFs, in particular, have been around too short of a time to develop a path dependence or a culture of philanthropy. More than half are less than 4-5 years old³⁴. They also are structurally outside of the government-organized philanthropic ecosystem. Unlike PFFs, they cannot engage in public fundraising, nor do they have access to official backers with national networks who can help them implement their projects. They also began to emerge at a time when international philanthropic influences began to gain a foothold in China. Indeed, as a recent article in *China Philanthropist* points out, many prominent leaders in China's philanthropic sector have been heavily influenced by Western philanthropic ideas and models and participated enthusiastically in the growing number of exchanges with Western philanthropists, and the large majority of those come from the private foundation sector.³⁵ As a result, NPFFs have exhibited more diverse pathways in their brief history and been more open to grantmaking and supporting NGOs in other ways. As the

³⁴ "A National Survey of the Development Situation of Private Foundations in China," p.10.

³⁵ Zhang Xiaoxiang (2014) "The 'Learning from the West' School of Chinese Philanthropy"

China Foundation Center data suggest, compared with the small percentage of PFFs listed as grantmaking (1.6%), a much higher percentage of NPFs (13.2%) are grant making. The survey carried out by the China Foundation Ranking project also shows NPFs appearing more frequently as supporters of grassroots NGOs. Of the 14 Chinese foundations that had funded five or more NGOs in the survey, nine were NPFs and five were PFFs (see the table in Appendix 1).

At the same time, NPFs have been constrained by certain initial conditions that shaped their development in ways made them less likely to support grassroots NGOs. One is that they emerged in an environment still dominated by government-organized philanthropy, which continues to exert an influence on NPFs in not so obvious ways. If, for example, we look at the founders of NPFs, we find that about half (50.8%) actually have very close ties with the official system, particularly the founders of higher education foundations which constitute some of the biggest NPFs. These founders are public institutions (*shiyew danwei*) that are very much part of the official governmental apparatus. According to a 2011 survey commissioned by the China Private Foundation Forum, of the 214 NPFs that responded, about 36.4% were founded by public institutions.³⁶ In addition, another 14.4% of founders were government agencies and state-owned enterprises. Other founders of NPFs were either entrepreneurs (31.3%), well-known public figures, artists and celebrities from the sports and entertainment world (21.5%), and private and foreign-invested enterprises (21%)³⁷. While these groups are not a part of the official system, they come from the economic and social elite who are socialized in the advantages of working within the official system. They also come from corporate backgrounds that are quite different from those of grassroots NGOs.

Given the dominance of the government-organized philanthropic system, and the tight nexus between government and business that exists in China, it should be no surprise that

³⁶ “A National Survey of the Development Situation of Private Foundations in China,” p.9.

³⁷ The percentages do not add up to 100% because some of these categories are not mutually exclusive.

PFFs and NPFFs share much more in common with each other than they do with grassroots NGOs. For example, like PFFs, NPFFs work in areas that are closely aligned with government priorities: education and scientific research (72.9%), poverty alleviation (31.3%), health and medicine (11.2%), and disaster relief (8.4%). The large majority of NPFFs also tend to focus on project implementation in a closed system, with few signs of collaboration with other organizations. The 2011 survey of NPFFs shows a sector that is still surprisingly isolated and unengaged with other public and social actors. When asked if they had collaborated in any way with other organizations, the large majority of NPFFs (78%) noted only three or fewer collaborators, almost half (44.9%) had only one collaborator, and 14.5 percent had no collaborators.³⁸ These numbers are consistent with a general observation made by the secretary-general of one private foundation who noted that it was difficult to say how many foundations were grant-making and how many were operational simply because “many foundations are dormant.”³⁹

One final observation is that the development trajectory of NPFFs has been shaped by a policy environment that has not been conducive to grant-making foundations. Our interviewees offered several examples, of which three in particular pose obstacles to grant-making. One has to do with the uneven implementation of the regulations for registration and management of different categories of NGOs or “social organizations” that has allowed more operational organizations to register as NPFFs. In past years, the policy environment has changed for different categories of NGOs with some localities such as Guangdong lowering their requirements for NGOs to register with the most likely option being registering as a civil non-enterprise unit (CNEU, *minban feiqiye*). But a number of foundation staff pointed out that registering as a CNEU was still considered quite difficult, while registering as a NPFF was easier as long as you had the registered capital needed (2 million

³⁸ p.13.

³⁹ Liu Haiying, “The Impact of Private Foundations on Domestic NGOs.”

yuan at the local level). In addition, registering as a foundation came with more tax benefits as CNEUs often still had to pay business taxes. As a result of this uneven implementation of the registration regulations, a number of NGOs that had sufficient funds and had wanted to register as a CNEU decided instead to register as a NPFF after the Foundation Regulations came out in 2004. As several interviewees noted, including one executive director of a NPFF that had gone this route noted, those foundations are unlikely to consider grant-making because they were already operational NGOs in practice.

A second area is onerous tax regulations such as those requiring foundations to pay taxes on income earned from investments at the same rate (25%) as companies, and those requiring NGOs to pay business taxes which are passed onto the foundation funding the NGO. On the tax issue, several private foundation directors suggested that changes in tax regulations encouraging foundations to set up endowments might make grant-making more appealing. One director made a comparison with the U.S. where private grant-making foundations can set up an endowment and use the interest earned from that endowment for grant-making.⁴⁰ Several times in 2009, a number of foundations, both private and public, submitted a joint petition to the Ministry of Finance and State Administration of Taxation voicing their concerns about these various tax issues but there has been no action taken to address their concerns.⁴¹

A third area is in the 2004 Foundation Regulations, such as Article 29 which limits foundation spending on administrative expenses such as staff wages and benefits and overhead to 10 percent.⁴² The 10 percent limit was cited by some foundation interviewees as an incentive to do grant-making, particularly for NPFFs which do not have access to a government or GONGO network to help them implement projects. One small NPFF noted

⁴⁰ Interviews in Beijing (23 and 27 May 2014), Shenzhen (29 May 2014), and Guangzhou (30 May 2014).

⁴¹ China Development Brief (2013) *The Diversification of Public Advocacy in China*, pp.36-37.

⁴² Interview in Beijing (17 and 22 May 2014).

that they decided to focus on grant-making because their staff was small and lacked the capacity to carry out their own projects. But according to one PFF interviewed, the 10 percent rule was a constraint on the number of NGOs they could fund because the tax bureau counted the administrative costs of the NGOs they funded as part of the PFF's administrative costs so the 10% can discourage foundations from funding core expenses for NGOs. This year, they were able to get around this constraint by listing some NGO staff salaries as project implementation costs.⁴³

Grassroots NGOs: marginalized and raised on “foreign milk”

Grassroots NGOs have exhibited distinct development pathways of their own that diverge from those of foundations, both public and private. Here, we reiterate again that we are speaking of grassroots, public benefit NGOs because they are the group most likely to be applying for foundations for project and core funding.⁴⁴ There are also other categories of grassroots groups that have evolved along their own distinct pathways and generally do not approach foundations for funding. These include the many mutual-aid groups such as homeowner associations, house churches, informal cultural and recreational groups that form in urban communities, and technical cooperatives in the countryside. Even setting these groups aside, it is difficult to make generalizations about the development pathway of grassroots, public benefit groups simply because they are so diverse and many are small and informal and difficult to document.

In this section, we make two general observations about the development pathway of grassroots, public benefit NGOs. One is that they developed as marginalized social actors

⁴³ Interview in Beijing, 22 May 2014.

⁴⁴ A good starting point for a public listing of these NGOs is China Development Brief's 2013 *Chinese NGO Directory* which is also available online at www.chinadevelopmentbrief.cn. The Directory also includes a special report co-authored by Shawn Shieh and Amanda Inz-Brown, "Mapping China's Public Interest NGOs," available online at <http://www.chinadevelopmentbrief.cn/?p=1958>, accessed September 28, 2014.

with few or no ties to the state apparatus. They began to emerge in the 1990s in response to social and environmental issues and specific needs of marginalized communities that were being exacerbated by China's rapid growth but were not government priorities. These range from protecting endangered species and helping pollution victims, to providing legal services migrant workers, to caring for at-risk children, to providing medical support for people living with HIV/AIDS, to calling attention to discrimination against women, the disabled and the LGBT community.⁴⁵ Given their independent and marginalized status, they often found it difficult to gain legal status by registering as "social organizations" (*shehui zuzhi*), the official Chinese term for NGOs. Some managed to gain a degree of legitimacy by attaching themselves to legal social organizations or public institutions, while others registered as for-profit businesses, and still others remained unregistered and informal⁴⁶. This situation continued until the late 2000s when local governments in places such as Guangdong and Shanghai began to experiment with more lenient registration policies for social organizations. In recent years, a growing number of grassroots NGOs have managed to register under these more relaxed policies, although the evidence suggests these policies disproportionately benefit service providers, while discriminating against NGOs working in more sensitive areas such as labor, legal aid, and advocacy-type organizations. Still, government harassment and crackdowns on grassroots NGOs have not lessened, further reinforcing their marginalized and quasi-illegitimate status. Overall, grassroots NGOs still carry the stigma of being marginalized, under-resourced and short on capacity and professionalism. A number of our

⁴⁵ For cases, see the chapters in Jonathan Schwartz and Shawn Shieh (2009) *State and Society Responses to Social Welfare Needs in China: Serving the People* (London: Routledge).

⁴⁶ A number of recent articles have examined the different ways in which grassroots NGOs have survived and developed under these difficult conditions. See Zhang Xin and Richard Baum (2004), "Civil Society and the Anatomy of a Rural NGO," *The China Journal* 52: 97-107; Spires, "Contingent Symbiosis and Civil Society in an Authoritarian State: Understanding the Survival of China's Grassroots NGOs" and "Societal Support for China's Grassroots NGOs"; Shieh and Brown-Inz, "Mapping China's Public Interest NGOs"; Feng Li and Zhang Yiqi (2014) "The Role and Value of China's Grassroots Organizations" (*Zhongguo caogen zuzhide gongneng yu jiazhi*) (A China Philanthropy Advisors Report).

foundation interviewees alluded to them as being “immature” or “underdeveloped” (*buchengshu*).

Second, a good deal of the literature and interviews with many of the older, more established grassroots NGOs suggest that international funding, or what the Chinese sometimes call “foreign milk” (*yang nai*), and other forms of resources and support provided by international lending agencies, governments, NGOs, business-affiliated donors and academic institutions had a critical role to play in shaping the developmental paths of grassroots, public interest NGOs during their formative years from the mid-1990s to the mid-2000s.⁴⁷ This was a period when both international organizations were beginning to enter China in greater numbers and grassroots Chinese NGOs began gaining a critical mass. In identifying the causes behind the rapid growth of grassroots, public benefit NGOs during this period, Howell notes:

international aid agencies and foundations played a key role not only in facilitating preparations for the 1995 [United Nations] Conference on women but also in stimulating the emergence of organizations concerned with social issues. In the 1990s, international aid agencies expanded their programs in China, whilst at the same time the activities of international NGOs grew. Support from these international agencies has catalyzed the development of a number of associations and centers, such as the Yunnan Reproductive Health Association, the Yunnan Participatory Rural Appraisal Network, the Center for Integrated Agricultural Development in Beijing, the Shenzhen Women’s Migrant Worker Center, and the Center for Biodiversity and Indigenous Knowledge in Yunnan province⁴⁸.

In her thorough 2004 study of NGOs in China, Ma Qiusha comes to a similar conclusion about the same developmental period in her last chapter on the role of international NGOs. She writes that “[i]n the past ten years [1994-2004), INGOs have

⁴⁷ See Schwartz and Shieh, *State and Society Responses to Social Welfare Needs in China*, p. 186. For a profile of who these international donors are and their funding relationship to grassroots NGOs, see the 2010 report “China Donor Assessment” authored by Michael Busgen. For an article summarizing the report, see Wang Hui (2010) “International Donors and Domestic NGOs Need to Establish Equitable Partnerships,” *China Development Brief* 45 (Spring), available online at <http://www.chinadevelopmentbrief.cn/?p=270>, accessed 1 October 2014.

⁴⁸ “New Directions in Civil Society” in Jude Howell, ed. (2004) *Governance in China* (Lanham, MD: Rowman and Littlefield): 149.

become an indispensable factor in first strengthening and supporting local and grassroots NGOs and then uniting these local efforts into coalitions with regional and even international actions. To most small and independent Chinese NGOs, foreign funding has been their only resource."⁴⁹

While no systematic, historical data on international funding of grassroots NGOs exists for this time period, the data available supports the view that international donors played a crucial role in funding grassroots NGOs, particularly in the earlier years. According to Ma, in 2000, 85% of Global Village's funding, and 52% of Friends of Nature, came from international sources. Other pioneering grassroots NGOs such as Wuhan University Center for Protection of the Rights of Disadvantaged Citizens, Beijing University Women's Legal Aid Center, and Beijing Maple Women's Psychological Counseling Center all relied on international NGOs such as the Ford Foundation for 70-100% of their funding (Ma p.195). A later report written in 2010, based on a survey of Chinese grassroots NGOs regarding their international donors, showed that while NGO funding sources had diversified, many NGOs still showed a substantial reliance on international funding. Thus, of the 109 NGOs surveyed, about 20 percent said they relied for 75 percent or more of their funding from one single international donor. Ten percent said 50-75 percent of their funding came from international donors, while 22 percent responded that international donors made up 25-50 percent of their funding⁵⁰. When asked about their dependence on international funding, 16 percent of the NGOs surveyed said that they would have to shut down if international funding was stopped over the next two years. Another 20 percent said they would have to significantly scale down their activities and lay off much of their staff, and another 25 percent said they would have to

⁴⁹ *Non-Governmental Organizations in Contemporary China* (London: Routledge): 168. A recent China Development Brief report comes to a similar conclusion about both first and second generation grassroots women and gender groups. See *Winning Back Half the Sky: Grassroots Chinese Women and Gender Groups in China on the Eve of Beijing+20* (China Development Brief, 2014): Chapter 2.

⁵⁰ Busgen, "China Donor Assessment," p.9.

scale down somewhat on activities, staff and overhead. Only six percent said that a withdrawal of international funding would not have a significant effect on their organization.⁵¹

In addition to funding, international donors have shaped grassroots NGO development in other ways such as technical assistance that has: (1) introduced new ideas, approaches and methods from the global civil society and development community through collaboration and exchanges; (2) supported Chinese research and writing on NGOs, governance, rule of law, human rights and other development issues; (3) influenced government laws regulating NGOs by providing advice and consulting on international models and experiences; and (4) provided training and other resources to cultivate individual NGO leaders and the organizational capacity of NGOs.

Through these various initiatives, international funders and NGOs have introduced grassroots NGOs to development concepts such as democratization, participation, inclusive development, good governance, and empowerment of marginalized communities, and approaches and methodologies such as capacity building trainings, organizational capacity assessment (OCA), participatory rural appraisal (PRA), micro-credit, eco-tourism, among others. INGOs have also hired and trained many Chinese staff, some of whom have gone off and started their own grassroots NGO. In their funding proposals and their trainings, grassroots NGOs gradually learned to adopt the discourse of global NGO-speak, even if they did not always comprehend or embrace it.⁵²

One case, in particular, shows the disproportionate impact that international organizations has had in shaping the trajectory of Chinese grassroots NGO. During the early 2000s, several international foundations and NGOs, together with a few Chinese grassroots

⁵¹ Busgen, "China Donor Assessment," pp.9-10.

⁵² Anthony Spires (2012) "Lessons from Abroad: Foreign Influences on China's Emerging Civil Society," *The China Journal* 68(July): 125-146.

NGOs and networks such as the NPO Network, put together a series of influential trainings for what was then a small community of grassroots Chinese NGOs⁵³. Some of these trainings were capacity building trainings on subjects such as leadership and development, NPO management, NPO governance, management of participatory development projects, accountability, and fundraising. Another set of trainings focused on organizational capacity assessment (OCA) based on OCA experiences in 20 other countries.⁵⁴ According to one of the participants who attended as a staff of a well-known Beijing-based grassroots NGO and then left to start her own, these trainings ended up having a much larger impact than expected by giving NGO staff the confidence and resources to go out and start their own NGOs.⁵⁵ Many of the participants attending, she explains, were staff in the NGOs rather than the founders. As the trainings progressed, many issues arose that led the staff to question management practices in their own NGO and consider setting up their own. The trainings gave them the knowledge, resources and confidence to act on their thinking. Of the 18 NGOs that participated in the training, 11 had staff leave after the trainings to establish their own NGO. That training, funded and conducted largely by international NGOs, thus served as an important event in catalyzing the second wave of grassroots, public benefit NGOs that emerged in the early to mid-2000s.

Given the imprint that international organizations have left on the first and even second generation grassroots NGOs, it is not surprising that a *China Development Brief* article on the impact of Chinese NPFs on grassroots NGOs would observe, “[a]s 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

⁵³ Ma Qiusha, pp.187-88.

⁵⁴ For a more in depth and critical discussion of the content of these trainings, see Anthony Spires (2012) “Lessons from Abroad.”

⁵⁵ Interview in Beijing, 21 September 2009.

management. When discussing private foundations, [NGOS] thus use international foundations as a natural frame of reference”.⁵⁶ The China Foundation Ranking survey provides some support for this argument by comparing grassroots NGO evaluations of Chinese foundations and international foundations/NGOs (see the table in Appendix 3). On every criteria, and particularly on the criteria of resource sharing and core funding (funding for NGO staff and overhead as opposed to project funding), NGOs ranked international foundations/NGOs higher than Chinese foundations, suggesting that they have a greater comfort level with international organizations than with Chinese foundations.

III. Explaining the disconnect between foundations and grassroots NGOs

As our discussion of the different development paths of PFFs, NPFFs and grassroots NGOs suggests, the disconnect between foundations and grassroots NGOs has both a structural and cultural dimension. Structurally, Chinese foundations grew out of, and remained intimately tied to, China’s mainstream governmental (which includes public institutions and GONGOS) and private business sectors, while many grassroots NGOs took root in marginalized communities, and were nourished by international funding and actors. Culturally, foundations and NGOs also adopt world views and values shaped by their structural environment. PFFs and, to a somewhat lesser extent, NPFFs tend to align themselves with government and corporate priorities and values and emphasize the importance of professionalism, innovation and outcomes-based evaluation, while grassroots NGOs see their *raison d’être* in adopting more independent positions and non-mainstream values and approaches, and stress meeting the needs of their beneficiaries and holistic evaluations.⁵⁷

⁵⁶ Liu Haiying, “The Impact of Private Foundations on Domestic NGOs.”

⁵⁷ See Busgen, “China Donor Assessment.”

These differences are exacerbated by the absence of an encompassing philanthropic culture in China. Indeed, we could talk about a bifurcated philanthropic culture in China. As noted earlier, the traditional philanthropic culture is rooted in the official system. This is what most Chinese know when it comes to charity. Then there is an emerging modern philanthropic culture that is being shaped by international influences, grassroots NGOs, academics and new actors such as research and advisory think-tanks, social enterprises, and a select group of private foundation leaders. This modern culture is not so much a culture as it is a sector understood and embraced mostly by those who work in the sector, but not by much of the public, although social media is helping accelerate the mainstreaming of this modern philanthropic culture. In Western countries where NGOs are part of our public culture and their work recognized by the government, companies, and media, and people learn of a young age about nonprofits and NGOs and volunteering and giving donations to NGOs is more commonplace. People who go on to work in foundations, government and business and are invited to sit on foundation boards, know about NGOs. In China, the foundations are still tied closely to the world of government, business or academia and have very little familiarity with NGOs, particularly grassroots ones. This is true of the major decision makers in foundations - founders and major donors, those who sit on the boards of foundations, and senior foundation staff. There is very little crossover between foundations and NGOs; they still remain largely separate worlds.

In this section, we discuss how the distinct development pathways of foundations and grassroots NGOs can help explain a number of the challenges that stand in the way of greater cooperation between foundations and grassroots NGOs. These challenges, which were listed in the introduction, included: infrequent interaction and poor communication between the two with foundations saying they could not find capable NGOs and NGOs saying they were unable to find supportive foundations; the lack of a clear sense of mission among NPFs

because they were so new; more interest among foundations in carrying out their own projects than in grant-making; foundations' lack of confidence and trust in NGOs; foundations being driven by government and corporate interests and funding organizations and projects that are not politically sensitive. In our interviews with foundation staff and experts, when asked why more Chinese foundations do not give grants to grassroots NGOs (see quotes in Appendix 2 below), many continually returned to similar and interrelated themes, in particular: the foundation's orientation or mission set by the founder; and lack of trust in grassroots NGOs. Both of these themes reflect the very different development paths taken by foundations and NGOs.

The foundation's orientation and mission presents a problem for grassroots NGOs because the board, and particularly the founder, who decide these issues generally comes from the government and business sectors.⁵⁸ As a result, they are likely to choose an orientation and mission that align closely with government and "traditional" philanthropic priorities because that is what they are familiar with and because these areas of work are low risk. But these priorities do not match up well with those of grassroots NGOs. Thus NPFs work in areas such as education, poverty alleviation, health and medical care, and disaster relief, which are closely aligned with "traditional" philanthropy but not with the priorities of many grassroots NGOs. According to China Development Brief's 2013 *Chinese NGO Directory*, which is the first public listing of grassroots NGOs nationwide, the most common sectors for the NGOs in the directory included environment, education, disabilities, children, women, community development and migrant labor, while health, poverty alleviation/rural development and disaster relief ranked further back.⁵⁹

⁵⁸ As Xu Yongguang points out, this reflects the lack of independence foundations have from their founders, whether they be government or corporate backers. Many Chinese foundations are simply an extension of the government agency or company that founded them. See "The Third Path of NGO Development in China."

⁵⁹ Shawn Shieh and Amanda Brown-Inz (2013) "Mapping China's Public Interest NGOs" in *Chinese NGO Directory*, p.xvi. Another recent survey of 263 grassroots NGOs from Beijing, Guangdong and Yunnan

The preferences of the founder and board in setting the foundation's orientation is also related to the trust issue. Because they come from government or corporate backgrounds, they have little understanding of the work of grassroots NGOs and view organizations that may not be properly registered, work in non-traditional areas, and are run by low-paid staff and volunteers who take a grassroots approach to their work, as lacking in "professionalism" or what many of the interviewees called "maturity," even though many grassroots NGOs have more experience in the field than most NPFs which were only established in the last decade. As comments 3 and 7 suggests, this skepticism can shape their decision to be an operational foundation, rather than to engage in grant-making, because they are not familiar with the work of these NGOs, and question whether they can do work that is effective and low risk.

Lack of trust in NGOs also has roots in other sources that are related to their distinct development paths. One comes from lacking understanding of, or expertise in, dealing with NGOs. For example quite a few interviewees claimed there were not many suitable NGOs for them to fund in their area of work, or that NGOs are not mature enough to trust them with funding. But the former could be addressed by if foundations hired staff who were better informed about were more flexible about the orientation of their work to better fit the needs and realities of grassroots NGOs who are closer to marginalized communities and have a better understanding of their needs. The latter claim about maturity is also quite subjective and more a casual generalization that comes from the very different experiences, standards and expectations of foundations and their lack of understanding of grassroots NGOs. Two examples from our interviews raised questions about the credibility of these claims by

shows similar results with education, environment, HIV/AIDS and labor rights being among the most common areas, although the choice of these three provinces/cities makes the sample less representative. See Anthony Spires (2014) "Societal Support for China's Grassroots NGOs" *The China Journal* 71 (January): 73-75.

foundations. One was a large, well-known national PFF that had recently cut its grant-making program and decided to focus more on disaster relief.⁶⁰ The senior staff member, who had been responsible for the grant-making program, noted that they had trouble finding NGOs to work with in the disaster areas and said they usually had to settle for partnering with young, relatively inexperienced NGOs which was not ideal because they required more training. When I mentioned that there were in fact some quite mature disaster relief NGOs working in those provinces, she said she knew about them but said that the problem with these NGOs was they were too mature, had their own ideas, were hard to influence, and would only cooperate with their foundation if it was in their interests. She then talked about the foundation's brand and how mature NGOs had strong ideas of their own related to those of their founder and did not seem to care about promoting the foundation's brand or the brand of their major donors. The other foundation, a NPF in Beijing that supports eco-community projects had started off supporting some established, well-known environmental NGOs, but later stopped working with some of them because they "lacked expertise" in eco-community work and did not have good access to urban communities. The senior staff member of this foundation complained about the lack of urban environmental NGOs that had the skill sets they were looking for, even though environmental protection is one of the sectors where grassroots NGOs are most plentiful, and said their new plan was to start a platform to help incubate new NGOs that they could work with. Like the other foundation, she also had similar things to say about NGOs not wanting to acknowledge the foundation's support and supporting the foundation's brand.

These interviews suggest that that the disconnect between foundations and grassroots NGOs goes deeper than just not being able to find qualified NGOs, or not trusting or having confidence in NGOs. These two foundations were able to identify quite capable grassroots

⁶⁰ Interviews in Beijing, 17 May 2014 and Shenzhen, 29 May 2014.

NGOs that worked in their area but the problem is that these NGOs were perceived as not working on behalf of the foundations' interests. In other words, these cases reveal other, more fundamental, issues inherent to the organization itself regarding ownership and control, protecting the brand of the foundation and companies, and managing risk. These are all high priorities for the foundations and their official backers, whether they be government agencies or companies, and their efforts to enforce these organizational priorities often steer them away from working with grassroots NGOs. One senior staff of a well-known national NPF in Shenzhen that works with grassroots NGOs as well as other organizations and who has appeared in public forums calling for the need for better cooperation between foundations and grassroots NGOs, was quite blunt in listing similar reasons when asked why his foundation did not do more to support NGOs:

“One, our main priority is doing CSR for our company. Second is scale. We want to do something that gets attention and grassroots NGOs are too small for what we want, so we tend to give money to other foundations and companies. Third, we also have to take risk into account since NGOs are not the most trustworthy partners.”⁶¹

Here he related a recent, ongoing case of another Shenzhen-based NPF who was being sued by a NGO grantee which claimed that the foundation had violated its intellectual property rights by sharing its pilot project findings with the branch offices of its corporate patron. The NGO grantee accused the foundation of encouraging those offices to implement similar projects, rather than working through the NGO to expand the pilot. In relating the story, the foundation staff member suggested that the NGO was really after fame by trying to take on the company which has a national reputation. His story echoed comment 8 in Appendix 2 about foundations not wanting to fund NGOs because they may be cheated or taken advantage by them.

⁶¹ Interview in Shenzhen, 29 May 2014.

This foundation's experience does not seem to be an isolated one. When foundations we interviewed did cite examples of grant-making, a surprising number noted that they supported and partnered with other foundations, rather than grassroots NGOs. This phenomenon may reflect a lack of clarity in China's very fluid and fast-changing philanthropy sector about what constitutes a grassroots NGO. As observed earlier, given the relative ease of registering as a foundation in China, a number of operational NGOs that were unable to register as civil, non-enterprise units ended up registering instead as NPFs after 2004. As a result, the foundation sector in China constitutes a mix of foundations and operational NGOs that could justifiably be viewed as grassroots NGOs. The concept of organizational homophily developed by Spires to explain U.S. foundation preferences for supporting GONGOs over grassroots NGOs is also relevant here⁶². The concept of organizational homophily is that contact between organizations that share similar institutional structures and constraints and elite preferences occurs at a higher rate than contact between dissimilar organizations. Familiarity in this case breeds trust. In the Chinese case, foundations may feel a greater sense of familiarity with other foundations, are more likely to meet them in professional and social gatherings, and therefore are more likely to trust and work with them.

The differences in the developmental pathways of PFFs, NPFs and grassroots NGOs can also be helpful in explaining variations between and among PFFs and NPFs in terms of their inclination to engage in grant-making. PFFs have been least likely to provide funding to grassroots NGOs, largely for structural reasons. Many PFFs are part of the "traditional" philanthropic system and have been operating their own projects for years, often in the kind of closed system described earlier where they use their privileged authority that no other type of NGO has to raise funds from the public and then carry out projects with the support of their official backers in the governmental system at reduced cost. For PFFs to engage in

⁶² "Organizational Homophily in International Grantmaking: U.S.-Based Foundations and their Grantees in China," *Journal of Civil Society* 7(3): 308.

grant-making would require a radical departure from this model and carry some risk of alienating their government backers. In addition, the rise of social media and increased scrutiny of PFFs following various scandals in GONGOs such as the Chinese Red Cross and PFFs such as the Soong-Chingling Foundation and China Youth Development Foundation have added another disincentive to grant-making for PFFs. A number of foundation interviewees noted that they received pushback from their individual and corporate donors when they found out some of their donations were going to grant-making to support other organizations. Corporate donors, in particular, will often make a designated donation in which it will request in the agreement for the funds to be spent by the foundation rather than giving it to another organization. PFFs are particularly susceptible to this public pressure because their funds come from a broad donor base, whereas NPFFs tend to get their funds from one major gift from an entrepreneur or company. PFF interviews also noted that this public scrutiny made them more risk-averse and less likely to give grants to grassroots NGOs because of the risk involved⁶³.

The difficulty of a PFF transforming into a grant-making foundation can be seen in the very rare example of an established public foundation - the China Foundation for Poverty Alleviation (CFPA) - that did set out to transform itself into a professional, grant-making foundation through the will of its charismatic leader, He Daofeng who came from the corporate world and had lived in the U.S. He started the transition in 1999 and in 2007 put in place a strategic plan to transform the CFPA into an international, grant-making foundation. While the CFPA has made significant strides considering its background, seven years later, it still only spends about 10 percent of its budget on grantmaking to support grassroots NGOs.

⁶³ Interviews in Beijing, 17 May 2014 and Shenzhen, 29 May 2014.

In comparison to PFFs, NPFFs have fewer disincentives to engage in grant-making to grassroots NGOs. Structurally, they are outside of the official system and are not tied to or dependent on government agencies or GONGOs. Like grassroots NGOs, they are private, non-profit and to a certain extent self-governing actors and have more flexibility in deciding their orientation. They also do not have to consider the interests of a wide range of corporate and public donors in contrast to PFFs which rely on public fundraising for their funds and need to consider donor directives and sensibilities when spending the funds. NPFFs are generally beholden only to a few people – the founder, the board and/or the company which decide the orientation of the foundation. If the founder and board can be persuaded to do grant-making, then that is what the NPFF will do. In our interviews, a surprising number of foundations who did commit to grantmaking did so either because their founders had participated in or were in some way influenced by international philanthropic approaches.

One case of a foundation that started off as a NPFF and later became the first NPFF to register as a PFF serves as a cautionary tale showing the relatively greater difficulties encountered by PFFs in doing grant-making. As a NPFF, this foundation established a Philanthropy Development Program that engaged in grant-making to grassroots NGOs for several years. In a number of cases, these grants involved core funding which was a rare practice among Chinese foundations. When the foundation was able to register as a PFF, it began accepting major gifts from well-known entrepreneurs who also joined the board. Over the next two years, the board carried out a change in the foundation's strategy, and in 2013 decided to do away with the Philanthropy Development Program and focus on disaster relief. That decision was finalized shortly after the Lushan earthquake in Sichuan when the foundation received a large number of donations from the public. The foundation staff member interviewed noted how the challenges of satisfying donors and building the

foundation's brand conflicted with supporting grassroots NGOs.⁶⁴ She noted that donors wanted to see their funds spent on high-impact, visible results such as infrastructure projects, rather than supporting NGOs to carry out services. Corporate donors sometimes directed that their donations be spent by the foundation itself on relief or rebuilding work rather than be granted to another organization. On the other end, grassroots NGOs were too small and lacked the capacity and skills to carry out high-impact projects, and many did not value the importance of building the foundation's brand by making sure they took picture of projects that included the foundation's logo. While the foundation continued to support NGOs, she noted it was different than the support they provided when the foundation was a NPPF. Now they tend to outsource services to NGOs to carry out the foundation's projects in the disaster area. "The saying is that NGOs that work for our foundations have turned into our [the foundation's] own staff. These NGOs complain that they can't think about their own development because they're too busy doing our work." This foundation's experience suggests that the pressures of being a PFF make it difficult to support the long-term development of grassroots NGOs, and also highlights the need to educate both corporate and public donors on the importance of supporting the NGO sector in China.

Conclusion

In this paper, we have argued that different developmental pathways taken by PFFs, NPPFs and grassroots NGOs can help explain the challenges standing in the way of greater collaboration between these two types of foundations and NGOs. We want to caution against over-exaggerating the explanatory power of these distinct developmental pathways. Not all PFFs are embedded so deeply into the official system, and not all grassroots NGOs have been equally influenced by international funding and values. What the path-dependence argument

⁶⁴ Interviews in Beijing, 17 May 2014 and Shenzhen, 29 May 2014.

alerts us to is the existence of broad historical-structural forces in shaping similar civil society groups in very dissimilar ways. We argue that it is important to recognize these forces at work to clearly understand the scale of the challenges involved for China to make the transition from “traditional philanthropy” to more modern philanthropic approaches. It will take many years of exchanges, training, education, advocacy and policy changes to overcome structural and cultural obstacles that have been in the making for decades before we see a substantial number of Chinese foundations play a role as innovative and effective grant-makers, and the development of a more rational and effective philanthropic ecosystem.

Fortunately, the last few years have seen some promising signs of foundations and grassroots NGOs collaborating to overcome the obstacles erected by their distinct pathways, most notably in the NPPF sector where the developmental legacy carries less weight. One important initiative was the establishment of the annual China Private Foundation Forum which organizes sessions around collaboration between NPPFs and grassroots NGOs and invites NPPF and NGO leaders to come together to discuss these issues and find ways of addressing them. Another is the models provided by NPPFs, such as Narada, YouChange, Vantone, and Alashan SEE, which took an early leadership role in promoting grant-making. Foremost among these is Narada which has been the most consistent in its support of the development of civil society and philanthropy in China, and has established programs such as the Ginkgo Fellows Program (yinxing jihua) and the Bright Way Program (jinghang jihua) to provide core support to leading grassroots NGOs, as well as other programs and events that support the development of the philanthropy sector. As comment 11 in Appendix 2 points out, a major reason for the lack of grant-making is that Chinese foundations lack a critical mass of successful role models in this area. Narada has become such a model and was cited by several newer foundations such as the China Charities Aid for Children Foundation, Xiping

Foundation and the Dunhe Foundation, as playing an important part in influencing their decision to engage in grant-making.

Another promising development is taking place among smaller, more local or community oriented foundations such as the Guangdong Harmony (Qianhe) Foundation, Western Sunshine Foundation, China Charities Aid for Children Foundation (CCACF) and the Shanghai United Foundation. With the exception of Western Sunshine which at this point is still largely an operational foundation and only has one grant-making program, the rest have a strong commitment to grant-making and supporting grassroots NGOs. Western Sunshine which works in the area of improving rural education actually sees itself as an operational grassroots NGO and was one of those who took advantage of the 2004 Foundation Regulations to register as a local NPPF. But because of its grassroots origins, it felt an obligation to do some grant-making so it started up a grant-making program in 2010 as soon as it had accumulated sufficient funds.

Guangdong Harmony, Shanghai United and CCACF have set up creative platforms to help raise funds for grassroots NGOs. Guangdong Harmony, a NPPF, solicits private donations from small and medium-sized companies and other local NPPFs in Guangdong, and even from international foundations such as Oxfam Hong Kong and Rockefeller Brothers Fund, and uses those donations to fund the work of grassroots NGOs, even those working in more sensitive areas such as environmental protection and labor⁶⁵. When asked if their corporate and local NPPF donors were wary about donating funds that would go to grassroots NGO projects, the Guangdong Harmony staff member responded that they were initially. But the foundation found that if they explained that grant-making was a more sustainable way to get support to the target communities, and were clear in their monitoring and evaluation of these projects, then the donors would generally understand. She also added that the corporate

⁶⁵ Interview in Guangzhou, 30 May 2014.

donors did not care that much if the NGOs did not promote their brand because they were mostly small and medium-sized manufacturing enterprises that did not have a strong brand identity.

As PFFs which contribute a substantial part of their resources to grant-making to grassroots NGOs, Shanghai United and CCACF stand out as exceptional cases in the PFF landscape. Both not only do grant-making but also provide other forms of resources and support to grassroots NGOs. One of those resources is their public fundraising power which they confer on grassroots NGOs through the mechanism of special accounts (zhuangxiang zijin) managed by the foundation. Through these special accounts, NGOs are then able to raise funds through public channels to directly support their own work.⁶⁶ In addition to the special accounts, CCACF also engages in “joint fundraising” (lianhe quanmu) with grassroots NGOs. The concept of “joint fundraising” follows the U.S.-based United Way model in which CCACF partners with NGO partners to carry out fundraising using CCACF’s online and offline platforms and logo. The CCACF executive director noted that they discovered giving seed funding to grassroots NGOs was often not sufficient, and that “joint fundraising” helped build their capacity further because by participating in the fundraising, the NGOs learned how to appeal to donors and the importance of transparency and accountability in strengthening donor trust in them.

Keeping in mind our argument about developmental pathways, these foundations have a few things in their favor that allowed them to bridge the divide between foundations and grassroots NGOs. Perhaps the most important is that their own developmental pathways overlapped with those of grassroots NGOs. The most obvious cases are Guangdong Harmony, Shanghai United and Western Sunshine whose core founders and board members come from

⁶⁶ On special funds or accounts, see Wang Hui (2010) “Grassroots NGOs Use Special Accounts to Raise Funds,” China Development Brief 48(Winter), available online in English at <http://www.chinadevelopmentbrief.cn/?p=209>, accessed 11 October 2014.

the grassroots NGO sector. Guangdong Harmony's key founders and board members all have substantial experience in the NGO sector. Their main founder, Liu Xiaogang, studied NPO Management at Harvard, founded the Lion's Club in Guangzhou and was secretary-general of another grant-making NPF, Alashan SEE. Another key board member, Zhu Jiangang has directed the Civil Society Research Institute at Sun Yat-sen University for years. Shanghai United's founder and main investor is the NGO Nonprofit Incubator (NPI) which was set up to incubate grassroots NGOs. Western Sunshine, as already mentioned, started off as a grassroots NGO which was founded and later managed by people who had been instrumental in founding one of China's first grassroots environmental NGOs, Friends of Nature. Among these four foundations, CCACF's development has probably the least overlap with grassroots NGOs. It was founded by three officials who had retired from the Communist Youth League, so it started off being very much inside the official system, but their advisor was Xu Yongguang, who had also spent much of this earlier life in the Youth League, and advised CCACF to do grant-making.

Another factor is that these foundations are quite young, smaller in scale and more local in their orientation. Their relative youth is particularly important in the case of the two PFFs, CCACF (2010) and Shanghai United (2009). Both were able to register during a period when it has become easier to register as a local PFF. In the past, registering as a PFF, particularly a national-level PFF, required close ties with someone in the official system such as in the case of CCACF, but in recent years a few foundations founded by grassroots NGOs or private individuals such as Jet Li have managed to register as a local PFF. As a result, we now have a few PFFs being established that are structurally not part of the official system and culturally were not raised in China's "traditional" philanthropic environment, and thus have more room to maneuver in terms of their orientation. The local or community-oriented nature of the foundation may also be important in alleviating concerns about grassroots NGOs not

doing enough for the foundation or corporate brand. As the case of Guangdong Harmony suggests, local SMEs and NPFs donors appear to be less concerned about brand, although CCACF admits it is still difficult getting some corporate donors to agree to use their donations for grant-making. Last year, the percentage of CCACF's budget devoted to grant-making declined from 70-80% to about 40% PPFs, although the number of NGOs they supported rose slightly⁶⁷. This trend may be a concession to their donors, and suggests that PPFs do have more disincentives to do grant-making than NPFs as long as corporate and public donors continue in their present mindset.

The good news is that these cases show that, given the right conditions and employing creative mechanisms to reduce donor concerns about risk and brand, there are a small but growing number of foundations that have been able to overcome the developmental legacies discussed in this paper. Generally, these cases will be found more often among NPFs than PPFs, among foundations whose founders and board members have been influenced by other grant-makers, and among younger, smaller, more locally oriented private, community and family foundations where concerns about risk and brand are less pronounced. Even for PPFs, the examples of CCACF and Shanghai United show that donor concerns about risk and brand can be addressed through donor education and other creative means to support grassroots NGOs such as the use of "special funds" and "joint fundraising" which lowers the risk to the foundation and places more of the responsibility and accountability for the funding on the NGO itself.

⁶⁷ Interview in Beijing, 23 May 2014.

Appendix 1 China Foundations Evaluated by Grassroots NGOs

	Chinese foundations			International foundations/NGOs
Number of foundations eliciting evaluations from grassroots NGOs	Public fundraising 24	Nonpublic fundraising 26	Total 50	98
Number of foundations eliciting evaluations from 5 or more grassroots NGOs	Public fundraising 5	Nonpublic fundraising 9	Total 14	8

Source: Anonymous (2013) *Evaluation Rankings: China Foundation Evaluation Rankings* (Pingjia bang: zhongguo jijinhui pinjia bang), available online at <http://blog.sina.com.cn/foundationpjb>, accessed on 11 October 2014.

Appendix 2 Comments from Chinese Foundation Interviewees on Why Grant-Making is Uncommon

- 1) “The foundation’s orientation or strategy which is influenced by the founder.” (Staff of a public foundation in Beijing that is gradually doing more grant-making)
- 2) One has to do with the foundation’s founder and investor and their background... As in the business sector where there are different business models, foundations also have their own models shaped by their working area, capacity and the background of their founder. (Deputy director of a private grant-making foundation in Hangzhou)
- 3) “The mindset of the foundation [founder and board] – many foundations don’t believe NGOs have the capacity to carry out impactful projects and don’t want to take the risk.” (Executive director of a grant-making public foundation in Beijing)
- 4) One, it’s the choice of the founder and secondly, foundations may not trust NGOs. (Executive director of a grant-making private foundation in Beijing)
- 5) First of all, some foundations have their own orientation and development direction to do operating. Funding these NGOs is not easy because of communication difficulties, and trust because if you’re going to give that much money to another organization, you need to trust them. It’s also difficult to evaluate the effectiveness of that project.
- 6) The most important reason is trust; they don’t trust others to do their work and would rather do it themselves. (Executive director of a largely operational private foundation in Beijing)
- 7) “First of all, many foundations, especially those set up by enterprises or entrepreneurs, were set up because [the founder] doesn’t trust the government and other NGOs, and doesn’t want to give money to others, so they set up their own team to do their own charitable projects.” (Advisor to a private foundation in Shanghai)
- 8) A lot of foundations don’t want to fund others mainly because of trust issues. They don’t trust others to do the work, and feel most at ease when they do it themselves. Another is because many foundations don’t really understand grassroots NGOs and don’t have a lot of experience with them. They don’t know how to fund them or are worried about getting duped by them. (Executive director of a grant-making private foundation in Beijing)
- 9) For the past few decades, China has been focused on its economy, with little time devoted to its social and moral development. Many people think philanthropy is simply donating money, and unlike the US, China’s civil society is ill-developed, there is no clear definition of NGOs, so there will be trust issues. (Staff member of a private foundation in Beijing that does substantial grant-making)
- 10) The Chinese model of philanthropy is project fundraising (e.g. Project Hope) where the foundation raises funds to run projects. Fundraising then is tied to particular projects. There really are no pure grantmaking foundations in China, only operational NGOs (minfei) that carry out their own projects. This is a carryover of the old system and mindset which is still strong. Foundations are still dominated by a corporate mindset, interested in funding projects

the old way. It's hard to break out of this mindset because the foundation board and staff come from a corporate background. (Executive director of a largely operational private foundation in Shenzhen)

11) For these organizations that are capable of changing, the real foundations, there are many reasons they haven't changed to grant-making. The most important though are not policy reasons, but because they don't have role models (Executive director of a grant-making foundation in Chengdu)

Appendix 3 China Foundation Rankings By Grassroots NGOs

	Sharing Resources	Core Administrative Funding	Equal Partnership	Flexibility in Management	Extent of Intervention	General Score
All Foreign Foundations/ NGOs Listed	7.47	7.82	8.89	8.00	7.92	8.23
All Chinese Foundations	5.88	6.31	8.13	7.27	7.35	7.27
Disparity	1.59	1.51	0.76	0.73	0.57	0.96
Foreign Foundations Included in the Rankings	7.52	8.01	8.71	7.86	8.53	8.42
Chinese Foundations Included in the Rankings	6.32	6.70	8.18	7.36	7.52	7.48
Disparity	1.20	1.31	0.53	0.50	1.01	0.94

Source: Anonymous (2013) *Evaluation Rankings: China Foundation Evaluation Rankings* (Pingjia bang: zhongguo jijinhui pinjia bang), available online at <http://blog.sina.com.cn/foundationpj>, accessed on 11 October 2014.