

Do not quote or cite without author's permission

Initiative on Philanthropy in China

Trends in the Overseas Philanthropy of Chinese Foundations

by

Deng Guosheng
Professor
School of Public Policy & Management
Tsinghua University

China Philanthropy Summit
Research Center for Chinese Politics & Business and Lilly Family School of Philanthropy
Indiana University
Indianapolis, Indiana
October 31-November 1, 2014

© Indiana University Research Center for Chinese Politics & Business and the Lilly Family School of Philanthropy



Abstract

In recent years, Chinese foundations have become increasingly involved in overseas charitable activities. This paper first describes the current status of Chinese foundations' involvement in overseas charitable activities, including the development stage, the extent of participation, and the scale and scope of donations. Next, the paper analyzes the factors that impact Chinese foundations' overseas donations. The study finds that fund size and the secretary general's age and gender have no significant impact on overseas donations. However, factors such as the frequency of exchanges between foundations and foreign non-governmental organizations (NGOs), the number of full-time employees in the foundations, and the number of years of education of the secretary general affect the amount of foundations' overseas donations to various extents. Finally, policy recommendations are presented to promote Chinese foundations' overseas charitable activities.

Keywords: Foundations, overseas donations, Charity, impact factors

China's GDP surpassed Japan in 2010 and now ranks second in the world. In 2013, China's GDP per capita exceeded US\$6,000 and made the list of upper-middle income countries. As China has gained more comprehensive national power and Chinese corporations have accelerated their pace of "going out", international communities, especially some underdeveloped countries, have developed high expectations for help the country. The degree of the Chinese government's foreign aid is indeed growing rapidly¹. Thus, the government has begun to place more emphasis on the role of non-governmental organizations (NGOs) in foreign aid. NGOs in China, especially foundations, are therefore becoming much more active in launching overseas charitable activities².

Because overseas charitable development conducted by NGOs in China is a new phenomenon, related research is still very limited, both domestically and internationally. Yulin Lai (2012, p.36-42) conducted a case study on the China Foundation for Poverty Alleviation's (abbreviated as CFPA) aid to Africa. The author believes that the CFPA's motives in launching charitable activities in Africa are political and economic opportunities. In political

¹ Huang Meibo, Ren Peiqiang, *Chinese Foreign Aid: Policy and It's Trend*, International Economy Cooperation. No.3,2012, p81-84.

² Yang Yifeng, Deng Guosheng, *A Comparison of NGOs' Participation Patterns in Developed Countries' Foreign Aid and What Can Be Learnt from It*, Comparative Economic & Social Systems, vol.174, 2014, p224-232.

terms, aid to Africa is the focus of the Chinese government's foreign aid. From the economic point of view, donations can indeed be obtained from overseas Chinese corporations¹. Yifeng Yang (2013, p.27-66) analyzes the overseas charity experiences and challenges of four NGOs: the Global Environmental Institute, the Red Cross Society of China, the CFPA, and the China Youth Development Foundation (abbreviated as CYDF). Yang notes that lags in laws and regulations, a lack of funds, and public misunderstanding are the primary factors that impact the degree of Chinese NGOs' overseas charity². Haoming Huang (2012, p.181-191) analyzes the challenges NGOs in China face in going international. According to Huang, the lack of a legal basis, the small size of NGOs in China, a lack of funds, a lack of professional talent for international projects, and the lack of a communication mechanism between the government and NGOs are the primary factors that impact the internationalization of Chinese NGOs³. However, the published research to date is based on either the results of a case study or qualitative analysis. An overall understanding of Chinese

¹ Yulin Lai, "NGOs' engagement in foreign aid: China Foundation for Poverty Alleviation's aid to Africa", *International Forum*, 2013, Issue 1, p.36-42.

² YiFeng Yang, "China Youth Development Foundation's internationalization experiences", see Deng et al.: "Internationalization of NGOs in China, Strategies and Path", China Social Sciences Press, 2013, p.37-43.

³ Haoming Huang, "NGOs' path to internationalization", *China Nonprofit Review*, Vol.8, 2011, p.181-191.

NGOs' current situation regarding overseas charity is missing. In addition, certain case-based conclusions still require further examination. Therefore, this paper attempts to answer questions in two areas. First, what is the current situation regarding Chinese foundations' involvement in overseas charity? How many foundations have launched overseas charities? How large are the donations? What is the extent of participation? Second, why do foundations launch overseas charities, and why do other foundations not launch overseas charities? What are the factors that impact Chinese NGOs in launching overseas activities?

This paper comprises four sections. The first section introduces the research objects and methods. The second section introduces the basic situation for Chinese NGOs in overseas charity development. The third section analyses the factors that impact foundations in launching overseas charitable activities. The fourth section concludes and provides recommendations.

1. Research objects and methods

According to current regulations, there are three types of NGOs in

China: foundations, social organizations, and private non-enterprise units¹. However, the literature shows that foundations are the primary system used by Chinese NGOs in launching overseas charitable activities for the following reasons². First, according to the Regulations for the Management of Foundations, a foundation is a non-profit legal entity whose mission is to use donations from a natural person, a legal person, or an organization to engage in charitable activities. In other words, according to the law, a foundation must be an organization that only engages in charitable activities³. Thus, social organizations that are based on membership are primarily involved in mutual beneficial activities rather than charitable activities. Service fees account for 95.7% of the revenue for private non-enterprise units in China, with 2.5% from public sectors and only 1.8% comes from donations⁴. Therefore, this revenue structure presents a significant hurdle for private non-enterprise units in launching charitable activities in underdeveloped countries. Second, the annual donations received by Chinese

¹ Social organizations in China are based on membership. Examples include trade organizations and academic societies. Private non-enterprise units are not based on membership and include organizations such as non-profit schools, non-profit hospitals, and non-profit social welfare organizations. See Wang Ming, Liu Qiushi, *Analyzing China's NGO Development System*, China Nonprofit Review, Vol.1, 2009, p5-35.

² Deng et al., "Internationalization of NGOs in China, Strategies and Path", Social Sciences Academic Press, 2013.

³ Wang Ming, Xu Yushan, Foundations in China, China Nonprofit Review, Vol.2, 2010, p19-51.

⁴ Deng Guosheng, *The value of the Non-government Sector in China and Comparative Analysis*, Social Sciences in China, Summer 2007, p83-95.

foundations are huge, making the launching of overseas activities possible. According to the China Charity & Donation Information Center, there were 2,794 foundations in China that received RMB\$ 30.57 billion in donations in 2012, accounting for 37.4% of total donations in that year¹. Each foundation therefore received an average of RMB\$ 10.94 million. The other 489,000 social organizations and private non-enterprise units received a total of RMB\$ 2.961 million in donations, accounting for 36.2% of total donations. Thus, each NGO received an average of RMB\$60.6 thousand in donations. Government and public institutions received RMB\$ 21.55 billion in donations, accounting for 26.4% of total donations. Therefore, this study has identified foundations as the objects for research into NGOs' development of overseas charitable activities.

In 2013, the China Foundation Center² issued the Chinese Foundation 500 Directory³ that listed information on 500 foundations, representing 17.9% of the total foundations in China. The criteria to be included on the list were the following: first, the foundation had to be ranked among the highest

¹ Jianmei Peng and Youping Liu, editors-in-chief, China Charity & Donation Information Center, 2012 Annual Report, China Social Press, 2013, p.61.

²The China Foundation Center is the only current non-profit organization that specializes in collecting and disclosing information about foundations in China.

³China Foundation Center, editor, Chinese Foundation 500 Directory, Social Sciences Academic Press, 2013.

in annual net assets; second, the foundation had to be very active in launching activities and offer open and transparent information. In other words, the listed foundations were the most active in China and had reached a certain asset size. Because many foundations in China are dormant, disclosed information is often very limited, and the likelihood of having questionnaires returned is low. In addition, the Chinese Foundation 500 Directory is the most recent list of foundations in China with current contact information. Therefore, the author decided to use the 500 foundations on the list as the objects for this study. The author started with individual case studies on some of the foundations on the list. Questionnaires were then sent out to the person in charge of each of the 500 foundations. A total of 82 questionnaires were returned, accounting for 16.4%. As shown in Table 1, the sample structure and population structure were very close. This observation implies that the returned questionnaires could adequately represent the 500 foundations that were relatively active with large asset sizes.¹

Table 1: Structure comparison of sample and population

¹According to the Regulations for the Management of Foundations, there are two types of foundations in China. One is a public funding foundation that can engage in fund-raising activities from the public. The other type is a non-public foundation that cannot raise funds from the public.

	Total population (units)	Proportion (%)	Total sample (units)	Proportion (%)	Sample versus population (%)
Public Funding Foundation	256	51.2	39	47.6	-3.6
Non-public Funding Foundation	244	48.8	43	52.4	3.6
Total	500	100	82	100	

2. Development status of Chinese foundations in overseas charitable activities

2.1 Change from raising funds from overseas to launching charitable activities abroad

China's first foundation was established in the 1980s¹, when reforms and open-door policies had just started and the government was facing financial difficulties. Thus, based on other countries' experiences, China hoped to resolve its social problems by raising funds from the community in the form of foundations. The prior literature indicates that one of the Chinese government's goals in establishing foundations at that time was to raise funds from overseas. According to the Statistical Report on the Development of Civil Affairs, issued annually by the Ministry of Civil Affairs, before 1994,

¹ Xu Yushan, From Closed to Open: Chinese Foundations' Ways' of Distributing Funds, China Nonprofit Review, Vol.2, 2010, p177-200.

the Ministry only collected data on annual donations received from overseas; there were no statistical data on domestic donations. This disparity shows that at that time, China was primarily dependent on overseas donations. Domestic donations were so limited that they were even neglected in the government's statistics. However, as domestic donations grew, the government began to collect data on domestic donations received by the Ministry of Civil Affairs for the first time in 1995¹. In 1996, the government began to collect national statistics on donations received both domestically and from overseas². Starting in 2010, with more foundations beginning to develop overseas projects, the NGO Bureau of the Chinese Ministry of Civil Affairs began to require foundations to disclose information on their overseas development projects and donation sizes in their annual reports. Thus, the changes in the government's statistics regarding donation data and annual report requirements demonstrate the gradual shift in the role of Chinese foundations from purely receiving overseas donations to making donations overseas.

The results of the author's case studies also confirmed the above trend.

¹ According to the Ministry of Civil Affairs, the Ministry received RMB\$ 18 million in domestic and overseas donations in 1995. This figure did not include donations received by other governmental departments and local governments.

² Guosheng Deng, "Chinese wealthy donors' donations and change reasons", Chinese Public Administration Review, 2013, Vol. 2, p.71-74.

For example, since its inception in 1989, the CYDF founded an overseas cooperative to coordinate overseas fund-raising and international exchanges. In 1995, the CYDF officially proposed a strategy for international development. However, “at that time, we proposed internationalization, primarily for the purpose of mobilizing overseas philanthropic resources to develop the Project HOPE at home. In the 1990s, approximately one-third of the funds CYDF raised came from overseas donations or multi-national corporations”. After 2008, because of the rapid growth in domestic philanthropic resources in China and the international financial crisis, the ratio of funds raised from overseas became smaller and smaller, accounting for approximately 10% of the annual funds raised”¹. In the new environment, the CYDF established an Africa Department in 2011 that was exclusively in charge of domestic fund-raising for the construction of schools through the implementation of Project HOPE in Africa. The establishment of the Africa Department demonstrates the tremendous changes in the CYDF’s internationalization strategy.

¹Interview with Director of the China Youth Development Foundation Overseas Cooperation Center, March 22, 2013.

2.2 Participation of Chinese foundations in overseas Philanthropy has increased

Chinese foundations have gone through various stages of development, from directly donating money and supplies to establishing overseas offices in the development of their charitable activities abroad.

Let us use the example of the CFPA, which was the first foundation to develop overseas charitable activities. The first stage involved direct donations overseas. During this stage, the CFPA simply donated funds to foreign NGOs, leaving to them the primary decisions on how to use and allocate the donations. The CFPA did not directly participate in the implementation of any aid projects or send staff to stations in the recipient countries. The first time the CFPA made an overseas donation was in January 2005. By working with Mercy Corps, the CFPA donated drugs to the tsunami disaster areas in Indonesia. On August 9, 2005, the CFPA worked with Mercy Corps again and donated funds to the disaster areas affected by Hurricane Katrina in the United States. After the earthquake in Pakistan in November 2005, with cooperation from the International Islamic Relief Organization, the CFPA donated supplies worth 300,000 Yuan. In 2007, the CFPA donated to the local NGO The House of Mothers in Guinea-Bissau,

Africa. However, after 2008, the CFPA entered a second stage of development. In addition to providing donations, the CFPA also sent staff to the recipient countries for the direct implementation of charitable projects. In 2008, working with Chinese corporations overseas and local NGOs in Sudan, the CFPA assisted in the construction of the China-Sudan Abuausher Friendship Hospital¹. The hospital marked the first time that the CFPA had sent staff to a recipient country to implement a charitable project. However, the CFPA staff returned to China after the completion of the construction, and the CFPA did not station any permanent staff in Sudan or establish any project offices at that time. In 2012, the CFPA entered a third stage of overseas aid work. The organization began to establish project offices in recipient countries and recruit professional staff locally. To further develop its aid work in Sudan, the CFPA hired a permanent staff member there. Preparations are now underway to establish another CFPA representative office in Myanmar in addition to Sudan.

According to the questionnaires, 34.1% of the 500 most active Chinese foundations donated money and supplies overseas in 2013, 2.4% of the foundations that had permanent staff stationed overseas for at least six

¹ Lin Yuan, *Sudan-China Abuausher Friendship Hospital*, in Yang Tuan, *2012 Annual Report on China's Philanthropy Development, 2012*, pp.385-389, Beijing: Social Science Academic Press.

months, and 3.7% of the foundations had offices overseas. These data show that the overseas charity participation ratio of the most active foundations was approximately one-third. In addition, further analysis shows that the overseas donations made by most of the foundations were of a non-routine nature or were one-time donations. The questionnaires show that 79.3% of the foundations made overseas donations only when there were significant natural disasters (as shown in Table 2). In addition to the relief donations, 31% of the foundations have initiated poverty alleviation projects or projects for women and children. Some examples include the CFPA's maternal and child health care project in Sudan, the COSCO Charity Foundation's project to save children in Africa, and the China Friendship Foundation for Peace and Development's project to provide free cataract operations to patients in the Republic of Zambia. Moreover, 17.2% of the foundations have launched funding initiatives for education and scientific research in overseas. For example, the China Friendship Foundation for Peace and Development launched a "Multimedia Education" project in Turkey, and the Huamin Charity Foundation donated research funds to Rutgers University in the United States. Approximately 10.3% of the foundations have made donations directly to foreign NGOs. In addition, 10.3% of the foundations have donated

funds due for other reasons. Overall, disaster relief was the primary driver for Chinese foundations in overseas donations, which is obviously related to China's charitable culture. Chinese charitable culture is traditionally more concerned with emergency relief than helping the poor. Even at home in China, the public only becomes enthusiastic about donating when there are catastrophic natural disasters. For example, the total donations in China during the Wenchuan earthquake in 2008 reached RMB\$ 107 billion, which was approximately three times the total for the entire year of 2007. However, for the period between 2009 and 2013, although there was rapid economic growth in China and social wealth increased dramatically, the average total donation was less than in 2008.

Because most of the overseas charity work of Chinese foundations is of the one-time relief donation nature, the vast majority of foundations do not have permanent staff or offices established overseas. Although some individual foundations have established offices, few have permanent staff stationed in them. For example, the China Women's Development Foundation, the China Children and Teenagers' Fund, and the Chengmei Charity Foundation have established offices, but they still have no permanent staff because of high operational costs. Instead, the foundations usually

appoint a local Chinese citizen, a community of expat Chinese, or a volunteer to assist in management.

Table 2: Proportion of foundations’ overseas donations for various reasons

	Proportion (%)
Catastrophic natural disaster overseas	79.3
Fund-raising by foreign NGOs	10.3
Voluntarily initiated funding for overseas poverty alleviation activities	31
Voluntarily initiated funding for overseas education, science, and research activities	17.2
Other	10.3

Note: This was a multiple-choice question on the surveys, with the total exceeding 100%.

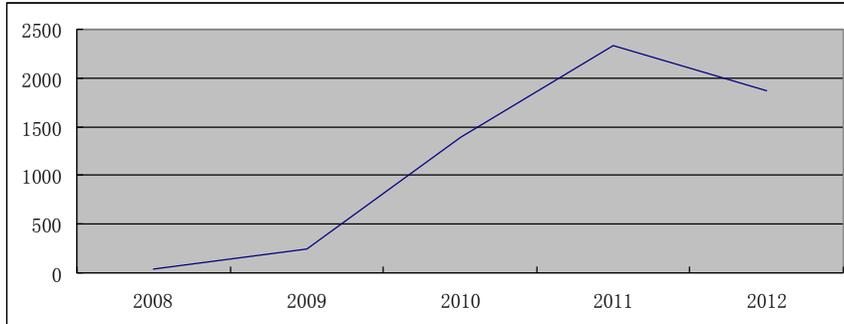
2.3 Chinese foundations are constantly expanding their aid overseas

According to the data from China Foundation Center website , Chinese foundations reported rapidly increasing overseas donations between 2008 and 2012 (shown in Figure 1). Chinese foundations donated a total of RMB\$330 thousand overseas in 2008. Donations increased to RMB\$2.43 million in 2009, 13.93 million in 2010, and 23.36 million in 2011, but they decreased slightly to 18.7 million in 2012. However, the 2012 total was 57 times the total from 2008. For the period from 2008 to 2012, the cumulative total donations reached RMB\$58.74 million¹.

¹ China Foundation Center website: Chinese foundations’ overseas donation statistics, 2014 (internal information).

Because the data provided on the China Foundation Center website came from the foundations' annual reports, the data may not be entirely accurate, and some variance might exist from the actual amounts. For example, the author investigated a foundation that claimed to have donated several million US dollars to Africa in 2011 and 2012. However, these donations were not mentioned in the foundation's yearly overseas donation data. From an interview with a representative of the foundation, the author discovered that the reason for non-disclosure was the foundation's concern about the public's lack of understanding regarding overseas donations, and it was therefore unwilling to disclose such information. Another reason for data inaccuracy is simply missing data. Because the government requires substantial information to be included in the annual reports and the foundations usually oversee many projects each year, missing data are inevitable. Therefore, according to the author's estimates, the actual total overseas donations of Chinese foundations are much higher than the data shown on the China Foundation Center website.

**Figure 1: 2008-2012 Chinese foundations' total overseas donations
(RMB 10,000 Yuan)**



2.4 Chinese foundations' overseas aid – expanding scope with diversified approaches

According to data from the China Foundation Center website, Chinese foundations primarily provided disaster donations to a few neighboring countries in Asia, such as for the cyclone disaster in Myanmar. In 2009, in addition to providing disaster donations to Asian countries, Chinese foundations began to devote more effort to developing poverty alleviation projects in Africa. In 2010, the scope of the foundations' overseas charitable activities further expanded to South America, including donations to earthquake disaster areas in Chile and Haiti. In 2011, Chinese foundations became even more active in overseas charitable causes. Not only did the number of recipient countries increase but also the scope expanded from poor countries to developed countries. For example, donations were made in

response to earthquakes in Japan and New Zealand. In 2012, a significant change in overseas donations from Chinese foundations occurred when routine donations significantly increased. For example, sanitation projects were launched in Cambodia, Laos, and Myanmar, student projects were introduced in Pakistan, and capacity-building projects were developed in Mongolia. Nonetheless, disaster relief donations remained the primary form of overseas charity, including donations to support victims of Hurricane Sandy in the United States.

In summary, Chinese foundations' overseas charitable activities primarily focused on neighboring countries in Asia and African countries through disaster relief donations. However, some new trends have emerged in recent years. First, the scope of charitable activities has consistently increased; Chinese foundations have begun to respond to catastrophic natural disasters in South America, North America, Oceania, and Europe. Second, although disaster relief donations are still the primary focus, more routine activities such as poverty alleviation projects, sanitation projects, education projects, and capacity-building projects have also been established. Thus, Chinese foundations have employed a variety of approaches to overseas charity.

2.5 Chinese foundations recognize the overseas charity concept but are unsure about the timing

The results of the questionnaire survey show that the proportion of Chinese foundations that considered it “very necessary” or “relatively necessary” to develop overseas charitable activities was high, at 56.8%. Only 14.8% of the foundations responded “not really necessary” or “totally unnecessary” (see Table 3).

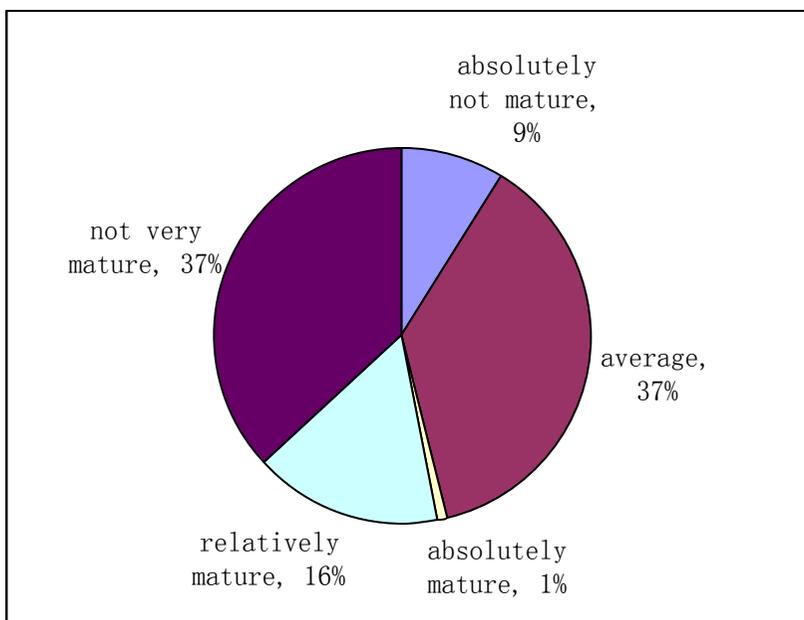
Table 3: Proportion of Chinese foundations with various views on overseas charitable activities

	Proportion (%)
Very necessary	18.5
Relatively necessary	38.3
Average	28.4
Not really necessary	11.1
Total unnecessary	3.7
Total	100

However, although over half of the surveyed foundations conceptually agreed that Chinese foundations should develop overseas charitable activities, only 17.2% of those surveyed recognized that the timing was “very mature” or “relatively mature”. In contrast, 45.6% of the respondents believed that the current situation was “not very mature” or “totally not mature” (see Figure 2). In other words, over half of the Chinese foundations believed that such

foundations should develop overseas charitable activities, but less than one-fifth of the foundations believed that the time was right to act.

Figure 2: Proportion of foundations opinion on whether the timing is right for Chinese foundations to develop overseas charitable activities.



3. Analysis of factors that impact foundations' overseas charitable activities

In recent years, an increasing number of Chinese foundations have begun to establish overseas charitable activities. However, the participation level is still relatively low, and the scale of donations is still relatively small. Therefore, what are the factors that impact Chinese foundations in their

overseas charitable activities?

According to the results of studies by Yulin Lai (2013) and Yang et al. (2013), the source of funding, human resources, the policy environment, and public support are important factors that impact foundations in developing overseas charitable activities. In addition, this author conducted interviews with representatives of the China Women's Development Foundation, the Chengmei Charity Foundation, the CFPA, and the CYDF. These interviews revealed that the relationship between the foundations and overseas NGOs and the demographic characteristics of the secretary general are important positive factors. For example, Peng Wu, Director of International Department of the CFPA, indicated that domestic fund-raising for overseas projects was very difficult. The majority of corporations are more willing to donate to domestic projects than to overseas projects. The reason the CFPA had established projects in Sudan was because of the international perspective of the foundation's leaders and the good relationship between the foundation and the recipient NGOs. Some foreign NGOs were even willing to actively initiate fund-raising from the foundation¹. Yingzi Liu of the Chengmei Charity Foundation indicated that the primary driver for the

¹ Interview with Peng Wu, Director of International Department, CFPA, August 2013.

foundation to develop overseas charity projects came from the foundation leadership's strategy and courage¹. Jing Nan of the China Women's Development Foundation suggested that the primary reasons for the foundation to undertake overseas projects were the brand name of Water Cellars for Mothers and the extensive contacts between overseas Chinese corporations and local NGOs². Shi Yan, Minister of the CYDF's Africa Department, also believed that fund-raising for "Into Africa Project HOPE" became very difficult after the "Lu Meimei incident"³. In fact, the CYDF's Africa Department was once almost closed down. In that situation, the attitude of the foundation's secretary general became extraordinarily important. Finally, with the support of the secretary general, the project was

¹ Interview with Yingzi Liu, Secretary General of the Chengmei Charity Foundation, September 2014.

² Interview with Jing Nan, Office Manager, China Women's Development Foundation, April 2014.

³ "Project HOPE" is a brand name project of the CYDF, which primarily assists in the construction of HOPE elementary schools and provides "one-to-one" education funding. The World Eminence Chinese Business Association cosponsored "Into Africa Project HOPE" with the CYDF in December 2012, with the World Eminence Chinese Business Association in charge of fund-raising and the CYDF in charge of donation management and the construction of HOPE elementary schools in Africa. As of August 17, 2011, the CYDF has already received a designated donation of 31.023 million Yuan from members of the World Eminence Chinese Business Association for "Into Africa Project HOPE". In addition, pledged donations from members of the World Eminence Chinese Business Association have reached 300 million Yuan. In August 2011, however, some netizens and media questioned the project in two areas. First, some expressed criticism that there were still many poor regions in China, and its basic educational system was still very backward. According to these critics, domestic problems should be the top priority for China before providing aid to Africa. Second, some people questioned whether the World Eminence Chinese Business Association was using the charity brand name of the CYDF to gain unfair commercial advantages. Xingyu Lu, who is the daughter of the person in charge of the World Eminence Chinese Business Association, took over "Into Africa Project HOPE" in a high profile role, and she became one of the protagonists in this incident. Therefore, the incident is referred to as the "Lu Meimei incident". See Wang Ya, Microblog Message Triggers Public Controversy on China-Africa Hope Project, in Yang Tuan, *2012 Annual Report on China's Philanthropy Development*, 2012, pp.355-360, Beijing: Social Science Academic Press.

able to continue with funds provided by the foundation¹.

The results of previous research and the author's case studies reveal two factors that impact foundations in their overseas charitable activities: the external environment and the internal conditions in the foundations. The results of the questionnaire survey also showed that from the perspective of the external environment, 54.3% of the respondents believed that policy support was the most indispensable factor for Chinese foundations involved in overseas charity development. In addition, 27.2% of those surveyed indicated that understanding from the public was most desired, and 12.3% suggested support from overseas Chinese corporations. In addition, 6.2% of the respondents believed that improvement in other aspects of the external environment was most needed, such as media publicity. From the perspective of foundations' internal conditions, 31.7% of the respondents indicated that increased fund-raising capability for overseas projects was the most indispensable factor for foundations in developing overseas charitable activities, whereas 24.4% cited talent in professional international projects. Another 24.4% indicated that leadership's recognition of the importance of overseas charitable activities was most desired. Finally, 13.4% cited

¹ Interview with Shi Yan, Vice Minister of the CYDF's Africa Department, March 2013.

exchanges with overseas charitable organizations, and the remaining 6.1% referred to other factors.

Although the external environment was considered important, the policy environment and public understanding regarding overseas donations were the most significant factors for the Chinese foundations. Therefore, why do some foundations engage in overseas donations and others do not, even though they work under the same external environment? Why do some foundations receive more funding, while others receive less? Given same external environment, the foundations' internal factors must have the largest impact on overseas charitable activities. Therefore, this study focused on the foundations' internal factors.

3.1 Analysis of impact factors on overseas donations

This study defined whether a foundation had overseas donations as a dependent variable. Because there were two possibilities of “yes” and “no” in the dependent variable, a logistic regression model was used. The foundations' founding assets, the foundations' number of staff, the extent of exchanges between the foundations and NGOs, and the demographic characteristics of the secretary general were defined as independent variables (see Table 4).

Table 4: Independent variables and definitions

Variable	Indicator	Indicator definition
Foundation Fund Size	Founding assets	Amount of foundation's assets at registration. Usually a larger amount corresponds to a larger foundation.
	Annual income	Foundation's total current annual income, including donation income, investment income, etc.
Foundation Human Resources	Number of staff	Foundation's number of full-time employees.
Relationship with Overseas NGOs	Frequency of exchanges with overseas NGOs	High or low exchange frequency with overseas NGOs, with 5 equal to a very high rate of exchanges, and 1 means a very low rate of exchanges.
Demographic Characteristics of Secretary General	Age	Age of current secretary general.
	Gender	Gender of current secretary general.
	No. of years of education	Years of education of current secretary general.

Table 5 shows the results of the different models. In the first model, the founding asset amount, number of full-time employees, and the exchange frequency between the foundation and overseas NGOs were selected as independent variables. The results from the logistic analysis reveal that the exchange frequency between the foundation and overseas NGOs had the most significant impact on overseas donations. When the other independent

variables were controlled, every unit increase in the exchange frequency between the foundation and overseas NGOs yielded a foundation donation odds increase by 2.776 times. There are several possible explanations for this result. First, foundations that have close contact with overseas NGOs can access channels for overseas donations, and when natural disasters occur, these foundations can quickly link up with donors or cooperative partners. Second, through frequent exchanges, friendship and trust between Chinese foundations and overseas NGOs can be enhanced. Third, donations are an interactive process. When foundations and NGOs are in close contact, the possibility of the foundations being asked to donate is greatly enhanced¹. These observations indicate that an increase in exchanges between Chinese foundations and overseas NGOs will greatly increase the possibility of Chinese foundations engaging in overseas donations. In recent years, overseas donations to Chinese foundations have rapidly increased, which is apparently due to more frequent exchanges between Chinese foundations and overseas NGOs. On the one hand, the government is actively promoting exchanges and cooperation between Chinese foundations and overseas

¹ Michaud, Alice, *Distinguishing Non-Donors From Donors: An Exploratory Study of the Determinants of Charitable Giving in Canada*, MA Dissertation of Concordia University, Canada, 1993.

NGOs.

Table 5: Analysis of whether factors impact foundations' overseas donations (logistic model)

Variable	Model 1	Model 2	Model 3	Model 4
Founding fund size	0.961 (-0.040)	—	—	0.975 (-0.025)
Annual income	—	0.742 (-0.298)	—	—
Number of staff	1.030* (0.029)	1.043* (0.042)	—	1.032 (0.032)
Exchange frequency with overseas NGOs	3.776*** (1.329)	4.762*** (1.561)		3.971*** (1.379)
Education years of secretary general	—	—	1.277** (0.244)	1.008* (0.008)
Age of secretary general	—	—	0.978 (-0.23)	0.936 (-0.067)
Gender of secretary general	—	—	1.003 (0.003)	1.189 (0.173)
Constant	-4.393	-3.202	-3.847	-1.780
-2 log likelihood	65.366	61.058	98.483	63.083
df	3	3	3	6
N	82	82	82	81

Note: Values in brackets are B values. ***, **, and * represent P-value < 1%, < 5%, and < 10%, respectively.

For example, China's government established the China NGO Network for International Exchanges in 2005. The organization's mission is to develop a wide range of contacts among international and domestic NGOs, to promote exchanges and cooperation between Chinese and international NGOs, and to enhance friendship among the citizens of all nations. Since 2011, the China NGO Network for International Exchanges has held an

annual China-Africa civic forum to promote exchanges between NGOs in China and Africa. The organization also coordinates visits to China by NGO representatives from neighboring countries and other organizations from Europe, the United States, and emerging countries. On the other hand, the China NGO Network for International Exchanges also organizes exchange visits for Chinese NGOs to Africa and other neighboring countries. In addition, some international exchange platforms have been formed voluntarily at the civil level. For example, several charitable organizations from China and the United States, together with academic representatives, co-founded the China-US Strategic Philanthropy forum, which holds regular annual meetings and invites charitable organizations as well as scholars from China and the United States to participate. With more frequent exchanges and cooperation between Chinese foundations and overseas NGOs, the proportion of Chinese foundations participating in overseas charitable activities is expected to rapidly increase.

The results from Model 1 also show that the number of full-time employees in a foundation also had a significant impact on the foundation's overseas donations. For each additional full-time employee in a foundation, there was an increase of 3% in foundation donation's odds. The reason for

this result is that China's current laws and regulations are still not perfect, and some policies are not conducive to allowing foundations to participate in overseas charitable activities. For example, exchange controls in China can complicate the process of making overseas donations when foreign currency exchange and remittances issues are involved. Moreover, if foundations donate supplies overseas, the foundations are required to submit a special application to customs and arrange a series of customs-clearing procedures due to the charitable nature of the donations. Thus, foundations that do not have enough human resources to address such processes and procedures are less likely to make overseas donations. After all, Chinese foundations not only donate funds and supplies but also implement overseas charity projects; therefore, the demand for human resources is even higher.

Although previous research and the author's case studies show that funding is one of the primary factors that impact foundations' overseas donations, the results from Model 1 show no significant correlation between founding fund size and foundations' overseas donations. On the contrary, for every one-unit increase in founding fund size, overseas donation' odds decreased by 4%¹. Some foundations were intentionally started with a

¹ Due to large differences among the various foundations, the logarithm of founding fund size was used in the logistic regression analysis.

relatively small fund size to avoid certain government regulations,¹ and the founders planned to will make needed donations annually or as required. Therefore, Model 2 used the foundations' annual income instead of founding fund size as the independent variable. However, the results indicate that there is no significant correlation between a foundation's annual income and its overseas donations. Clearly, whether foundations engage in overseas donations has no direct correlation with the founding fund size of the foundations, implying that any impact is a result of other factors. According to the China Foundation Center website, the founding fund size of some foundations that engage in overseas donations is not very large. For example, after the March 19 earthquake in Japan, the Chongqing Municipality Disaster Relief Fund made a donation of RMB\$30,000, the Shanghai Kindness and Wisdom Public Foundation donated RMB\$46,000, and the Leshan Education Foundation donated RMB\$11,000 to the Red Cross. These foundations are all local foundations with small fund sizes. On the contrary, some large foundations, such as the Henan Soong Ching Ling Foundation and the Peking University Education Foundation, which both have hundreds of

¹ According to the Regulations for the Management of Foundations, the annual charitable expenses of public foundations cannot be less than 70% of the previous year's total annual income, and the annual charitable expenses of non-public foundations cannot be less than 8% of the previous year's fund balance.

millions of Yuan in annual revenue, did not make any overseas donations.

Model 3 was used to examine the impact of the secretary general's demographic characteristics on overseas donations. Therefore, age, gender, and the secretary general's years of education were included as independent variables in the model. The results show that the age and gender of the secretary general had no significant impact on overseas donations. However, the number of years of education of the secretary general shows a significant correlation with whether foundations engaged in overseas donations. When the other variables were controlled, for each one-year increase in the education of the secretary general, foundations' overseas donation odds increased by 27.7%. This result could indicate that the higher the secretary general's educational level, the broader his or her international viewpoint, and, hence, the greater possibility of engaging in overseas charitable activities.

In addition to using age, gender, and the number of years of education of the secretary general as independent variables, Model 4 also included all of the independent variables used in Model 1. The results indicate that both the exchange frequency between foundations and overseas NGOs and the number of years of education of the secretary general still showed significant

correlations with foundations' overseas donations. However, independent variables such as the number of full-time employees in foundations, the founding fund size, and the age and gender of the secretary general did not show significant impacts on the dependent variable.

3.2 Analysis of factors that impact foundations' scale of overseas donations

The above analysis analyzed the factors that impact foundations in making overseas donations. This section analyzes how these factors impact the scale of overseas donations. The dependent variable in this study is the amount of overseas donations made by foundations; it is a continuous variable. Therefore, a multiple regression analysis model was used. Table 6 shows the results of the multiple regression analysis using different models.

The independent variables in Model 1 included the foundations' founding fund size, the number of full-time employees, and the exchange frequency between the foundations and overseas NGOs. The results indicate that number of full-time employees in foundations and the exchange frequency with overseas NGOs had a very significant impact on the size of the foundations' overseas donations, while founding fund size showed no significant impact. When the other variables are controlled, for every

increase of one full-time employee, the foundations' overseas donations increased by 0.446 Yuan. In addition, for every one-unit increase in exchange frequency between foundations and overseas NGOs, overseas donations increased by 0.393 Yuan.

Model 2 replaced founding fund size with the foundations' annual income. The results are the same as for Model 1. A foundation's annual income had no significant impact on the scale of overseas donations made by the foundation. As can be observed from the model's diagnostics, the coefficients of determination (R Square) for Model 1 and Model 2 were approximately 44%, meaning that the independent variable in the regression equation could explain approximately 44% of the variation in the dependent variable. The test value or DW of the autocorrelation was approximately 2, meaning that the multicollinearity in the regression equation was not serious, and there was no significant autocorrelation among the independent variables.

Model 3 was used to examine whether the demographic characteristics of the secretary general had any impact on the scale of foundations' overseas donations. The results show that age, gender, and the number of years of

Table 6: Analysis of factors that impact the scale of foundations' overseas donations

Variable	Model 1	Model 2	Model 3	Model 4
Founding fund size	0.025 (0.279)	—	—	-0.036 (-0.385)
Annual income	—	-0.14 (-0.156)	—	—
Number of staff	0.446*** (4.96)	0.445*** (4.948)	—	0.426*** (0.672)
Exchange with overseas NGOs	0.393*** (4.194)	0.391*** (4.337)	—	0.419*** (4.018)
Education years of secretary general	—	—	0.082 (0.708)	-0.052 (-0.522)
Age of secretary general	—	—	-0.057 (-0.49)	-0.039 (-0.426)
Gender of secretary general	—	—	-0.119 (-1.06)	-0.067 (-0.755)
R Square	0.440	0.443	0.025	0.447
Durbin-Watson	1.868	1.902	1.841	1.92
F Value	19.618***	19.604***	0.660	9.698***

Note: Values in brackets are T values. ***, **, and * represent P-value < 1%, < 5%, and < 10%, respectively.

education of the secretary general had no significant impact on the scale of the foundations' overseas donations. To test the robustness of the regression results, in addition to including the three independent variables used in Model 1, the three independent variables concerning the secretary general's demographic characteristics were also added in Model 4. The results of this analysis are consistent with Model 1 and Model 2, indicating that the number

of full-time employees and the frequency of exchanges between the foundations and overseas NGOs had very significant impacts on the scale of the foundations' overseas donations. However, the foundations' founding fund size and the secretary general's demographic characteristics showed no significant impact.

4. Conclusions and recommendations

This paper is the first to describe the current overall status of Chinese foundations' overseas charitable activities. The results indicate that in the past, Chinese foundations merely received overseas donations. However, in recent years, one-third of the 500 most active foundations in China had donated overseas. In addition, the amount of overseas donations made by the Chinese foundations is growing geometrically, far exceeding the growth in GDP, and Chinese foundations have officially become a new force in the international donor market. In addition, Chinese foundations have expanded their target recipient countries from developing countries to a global scale that includes developed countries. Chinese foundations have also outgrown the previous approach from simple disaster relief donations to more routine charity projects such as education, sanitation, poverty alleviation, and

capacity building.

Another contribution of this study is its finding through quantitative analysis that there is no significant correlation between foundations' overseas donations and the founding fund size, which contradicts the results of previous case studies. Previous qualitative analyses indicate that funding is one of the primary factors that impact foundations' overseas donations. However, this study suggests that the previous research findings are not supported. Some foundations with large founding fund sizes do not necessarily actively participate in overseas charitable activities, while some smaller foundations do. The frequency of exchanges between foundations and overseas NGOs, the number of full-time employees in the foundations, and the number of years of education of the secretary general are the most important factors that impact whether foundations make overseas donations and the scale of such donations.

Therefore, to establish more international NGOs based in China, the government should encourage foundations to look for opportunities abroad while making improvements to the country's policies and regulations in the external environment and enhancing the understanding and support of overseas charitable activities among the public. In addition, the foundations

should strengthen their own capabilities. Above all, however, the most crucial factor is to further promote exchanges between Chinese foundations and overseas NGOs. Friendship and mutual trust can be achieved through frequent exchanges, thus providing a solid basis for Chinese foundations to develop overseas charitable activities. For those foundations that are interested in such endeavors, efforts need to be made to strengthen their professional teams. There are significant differences between establishing charitable activities overseas and governmental relief aid. Relatively speaking, the government is primarily engaged in hardware establishment, whereas the foundations are primarily involved with software development, that is, in providing human services. Therefore, resolving human resource issues are a top priority for foundations. However, there are many restrictions to expanding a foundation's number of full-time employees under current policies and regulations in China. For example, according to the Regulations for the Management of Foundations, the total administrative expenses of a foundation, including salaries, cannot exceed 10% of the total annual expenses, which leads to a situation in which foundations do not have an administrative budget that is large enough to recruit more employees. In addition, some donors in the general public want 100% of their donations to

be devoted to the intended recipients and might even think that foundation employees should selflessly dedicate their time and effort and be paid low salaries or even work for no pay. Because of this belief, the average salary in foundations is capped at less than twice the average local salary in certain departments or tax reductions and/or tax-free privileges will be repealed. Because of these factors, the average employee salary in Chinese foundations is persistently low, making it difficult to attract or retain talent. Therefore, the government should amend and improve its related policies, loosen or eliminate restrictions on foundations' administrative expense ratios, and increase publicity to raise public awareness of modern charitable activities. By doing so, Chinese foundations can accelerate their pace of internationalization such that Chinese NGOs can better fulfill their international responsibilities and play a greater role in the global governance process.