

# Chinese Philanthropy

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## Restricted Development and Embedded Innovation

**By**

**Patrick Burton**

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Aalborg University, Aalborg, Denmark

University of International Relations (UIR), Beijing, P.R. China

‘A’ Supervisor: Guo Huimin

‘B’ Supervisor: Ane Bislev

109,760 strokes

## **Abstract**

Philanthropy is the redistribution of capital in a structured, formalised way that contributes to social change. Civil society is a vital component of philanthropy. China has experienced rapid economic growth in the last 30 years but its civil society and thereby its philanthropy is relatively underdeveloped. This thesis examines the reasons for this underdevelopment and concludes that overbearing state restrictions have severely limited the growth of philanthropy. However, innovative individuals and organisations are “embedded” within the system and provide valuable lessons for the rest of the philanthropic sector.

### **Keywords:**

Philanthropy, Civil Society, China

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## Notes

Chinese names are generally given in pinyin, with the surname first and the given name second (e.g. Xu Yongguang). Individuals from Hong Kong, Taiwan, or pre-1949 China also have their surname first but may be romanised differently (e.g. Li Ka-shing).

Both pinyin (in italics) and simplified characters have been used to highlight a language point when it adds meaning to a translation.

All translations are the author's own unless stated otherwise.

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## List of Acronyms used

BRIC	Brazil, Russia, India and China
CAF	Charities Aid Foundation
CCA	China Charity Alliance
CCP	Chinese Communist Party
CDB	China Development Brief
CFC	China Foundation Center
CNI	Civil Non-Enterprise Institution
CPF	China Philanthropy Forum
CPFF	China Private Foundation Forum
CPPCC	Chinese People's Political Consultative Conference
CPRI	China Philanthropy Research Institute
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CSWF	China Social Welfare Foundation
CUSP	China-US Strategic Philanthropy
CYL	Communist Youth League
GONGO	Government Organised Non-Governmental Organisation
ICNL	International Center for Not-for-Profit Law
INGO	International Non-Governmental Organisation
MCA	Ministry of Civil Affairs
MPS	Ministry of Public Security
NGO	Non-Governmental Organisation
PRC	People's Republic of China
RLD	Republican-Liberal-Democratic (model of civil society)
RMB	<i>Renminbi</i> (currency of People's Republic of China)
RPA	Rockefeller Philanthropy Advisors
SO	Social Organisation
SVP	Social Venture Partners
SZETA	Foundation to Assist the Poor (Hungary)

## 1. Introduction

Public participation in, and engagement with, social welfare projects is increasing in China. This has been nurtured by the rise of individual wealth, a wider initiative to “do good,” the influence of foreign philanthropy and philanthropists, and a Chinese state more appreciative than ever of the benefits that philanthropic giving can bring. Total domestic donations rose from 0.19 billion USD in 2001 to 16.41 billion in 2008, the number of legally registered social organisations grew from 211,000 in 2001 to 440,000 in 2010 and volunteer numbers shot up from 20 million in 2006 to 30.5 million in 2009 (Lu & Nan, 2013, pp. 21-22). Effective, well-funded philanthropic organisations can contribute to a more equitable redistribution of wealth, reduce the strain on national resources, and mobilise private citizens for public goals; all of which are persuasive arguments in a Chinese context (Chodorow, 2012, p. 41).

However, in terms of giving, China lags behind not only Western countries, but also its Asian neighbours. In 2013 China’s top 100 philanthropists donated 890 million USD in total, less than Facebook founder Mark Zuckerberg and his wife, Priscilla Chan donated alone (Huang, 2014). Total charitable donations in China in 2012 were 13.2 billion US dollars, less than 4% of all US donations, and in the same year, China had 2,961 foundations, less than 3% of the US total (*Ibid.*). The 2014 Charities Aid Foundation (CAF) World Giving Index ranks China 128<sup>th</sup> overall in the world in terms of giving, behind not only USA (1), Canada (3) and UK (7) but neighbours Republic of Korea (60), Vietnam (79), Japan (90) and Kazakhstan (101) (CAF, 2014).

Additionally, an international comparison of donation amounts alone is insufficient to explain a lack of philanthropy. As philanthropy is the redistribution of private resources for public good in a structured, formalised way that makes a contribution to social change, it is therefore vital to analyse not only how much people donate, but also to what causes, through which organisations and in which ways. Traditional Chinese culture, the rise of individual wealth, China’s political context and civil society forces all play a role in influencing Chinese philanthropy and will continue to do so in the future.

The foundation of this thesis is that philanthropy in China has grown considerably in recent years and has the potential to grow further, but as yet has not done so. Therefore, it sets out to interrogate the conundrum of why philanthropy in China has not grown in tandem with the country’s economic development and has not reached the levels seen in other developing as well as developed countries. Philanthropy is deeply intertwined with civil society and, while acknowledging that such concepts are not directly transferrable across borders, a robust civil society is of vital importance to the development of philanthropy. Therefore this thesis sets out to interrogate the significance of the civil

society barriers to Chinese philanthropy and answer the research question: “*why has China’s philanthropy not kept pace with its economic development and how can it catch up?*”

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## 2. Methodology

In order to answer the research question of why China’s philanthropy has not kept pace with its economic development, this thesis will consider the significance of institutional, cultural and financial barriers and incentives to philanthropy against the hypothesis that philanthropy is simply lagging behind economic development and will eventually “catch up” naturally. Philanthropy is defined not just in terms of financial contributions to charitable causes, but as *giving which redistributes private resources for public good in a structured, formalised way and which makes a contribution to social change*. Therefore, by analysing the philanthropic forms and structures in China, as well as individuals’ attitudes and actions, it is possible to come to a conclusion on the current state and future of Chinese philanthropy.

Section 3, “Philanthropy and Civil Society: Theoretical Foundations” first establishes a workable definition of philanthropy, based on a literature review of theoretical analyses of philanthropy in China and elsewhere, and of existing legislation. Secondly, the cultural context in which Chinese philanthropy operates is established, focusing specifically on the role of Confucianism. Thirdly, this section introduces the concept of civil society and the role it plays in philanthropy. In terms of civil society theories, Yanqi Tong’s concept of the “noncritical realm” is crucial to understanding the delicate balance that philanthropists must tread in China, as well as the limits to philanthropy’s future development. Equally, Peter Ho’s concept of “embedded activism” helps explain how the push for social change inherent in philanthropy need not necessarily emanate from an independent third sector, but can arise through dialogue and cooperation with the state.

Selecting these theories as the lens through which to analyse philanthropy in China helps contextualise philanthropy’s current status in China both globally and historically. Due to China’s size, characteristics, and historical experience, much academic literature, media reporting and indeed government policy has painted the country as exceptional.<sup>1</sup> However, this thesis holds that to dismiss concepts like civil society out of hand as non-applicable to the Chinese context is reductive and unhelpful. A more useful strategy is to utilise theories developed in different historical and geographical contexts while acknowledging their limitations when applied to China. Through this process a contribution can be made towards a greater understanding of what some have called

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<sup>1</sup> Proponents of Chinese exceptionalism generally invoke a combination of the country’s deep-rooted cultural and philosophical traditions with its 20<sup>th</sup> century Communist legacy (Tatlow, 2014).

philanthropy and charity "with Chinese characteristics" (McCarthy & Stoller, 2014; Chodorow, 2012; Pillsbury, 2014). This is a play on the guiding political principle of the CCP since the Reform and Opening policy began; "socialism with Chinese characteristics" (中国特色社会主义 *Zhongguo tese shehui zhuyi*).

Section 4, "Philanthropic Structures" examines philanthropy in China from the perspective of the types of Civil Society Organisations (CSOs) that exist in China with a special focus on foundations, the key institutional mechanism for the philanthropic redistribution of capital. Section 5, "Barriers and Incentives to Philanthropy" moves on to consider the tax regulations in place for individuals and organisations, barriers to registration, and the importance of international contact, funding and influence on China's domestic philanthropy. Finally, with reference to the cultural context in which Chinese philanthropy operates, Section 6, "Individuals" considers the contributions of individuals within society, both the very richest in society, as well "new philanthropists" who utilise new media and technology.

To enrich this broad analysis of philanthropy in China, three case studies have been selected: The Narada Foundation (南都基金会 *Nandu Jijinhui*), a Private Foundation founded in 2007 that makes grants to grassroots NGOs and individuals; The One Foundation (深圳壹基金公益基金会 *Shenzhen Yi Jijin Gongyi Jijinhui*), the first private foundation to successfully register as a public foundation in 2010; and Deng Fei (邓飞), an investigative journalist turned philanthropist who has utilised new technology to make a contribution to social change. Seawright and Gerring (2008, p. 295) warn of the danger of selection bias in choosing cases purposively; but also that choosing cases randomly can lead to unrepresentative data. They suggest that seven different types of case study exist: typical, influential, extreme, deviant, crucial, most similar, and most different (*Ibid.*). The case studies in this thesis have been chosen purposively as examples of influential, effective or innovative philanthropy that could be used as models for the future development of the sector in China without inferring that the experiences of these organisations and individuals are directly applicable to the wider population.

In terms of the sources of information for this thesis, the author has attempted to use academic literature and news articles on philanthropy and civil society as well as organisations' own reports and websites. Additionally, the video recordings of two conferences on philanthropy in China: the Skoll World Forum's "Achieving the China Dream" and the Asia Society's "American Philanthropy in China" were useful in that the format pushed experts in the field to present their main ideas in a concise, understandable way. In terms of data collection, this thesis uses the information provided by the China Foundation Center (CFC), that which is contained in the reports by INGOs and think tanks such as the Hudson Institute, the Charities Aid Foundation (CAF), The Foundation Center (US), the International Center for Not-for-Profit Law (ICNL) as well as the legislation published online by the Chinese government. Relevant laws and regulations are quoted, whenever possible, from the official

English translations available online. The author uses both Chinese and non-Chinese sources, in both Chinese and English in the hope that by using a range of sources in both languages, a more nuanced view of the issues will arise.

However, the Chinese philanthropic sector is developing rapidly, meaning that new information is released daily and that what is true in May 2015 may not be so in June of the same year. For example, 2015 will see the release of two important pieces of legislation: the Foreign NGO Management Law (境外非政府组织法 *Jingwai Fei Zhengfu Zuzhi Fa*), which was released for public comment on the 6<sup>th</sup> May 2015, as well as the Charity Law (慈善法 *Cishan Fa*). Additionally, key sources of primary data such as CFC's numbers of registered foundations (see

**Figure 2: Number of Foundations in China**) are updated often, meaning that the data provided is only correct at the time of writing in May 2015.

The author's volunteer work at China Development Brief has been invaluable in terms of access to both primary and secondary materials, as well as informal dialogue with colleagues who are experts and practitioners in the field of Chinese philanthropy. The in-depth interviews with Chen Yimei, Executive Director of CDB, and Tom Bannister, Associate Director of CDB (English), conducted on April 28<sup>th</sup> 2015 in Beijing have also been immensely helpful in obtaining a broad overview of the current social and legal situation. Qualitative data is sourced from the research of INGOs and domestic NGOs in China, as well as the official Chinese statistics. However, it can be difficult to find reliable qualitative data on a country as vast and multi-faceted as China; or indeed on an issue as vague and ill-defined as philanthropy.

Partly as a result of “civil society” becoming a more controversial topic under the Xi Jinping administration, academic researchers have begun to reframe the study of NGOs and civil society in China as studies of “philanthropy.” This trend is also prevalent in news reporting; where a huge amount of articles on philanthropy have been written in recent years from both the domestic and international media. Tony Saich sees philanthropy as the newest forefront of Western, especially US, yearning to “change China.” (Asia Society, 2014). These attempts to change China, all of which failed to do so, began with medicine in the 19<sup>th</sup> century, before moving on to education, law, civil society and rule of law in the 20<sup>th</sup> (Ibid.). This thesis emphasises the importance of a varied and robust civil society to the development of philanthropy but does not use either concept to denote their Western incarnations. A somewhat trite but important consideration is the applicability of Western concepts and practices to a Chinese context. Tom Bannister suggests that instead of replicating these concepts and practices across borders, we should “translate” them to their new social, political and cultural contexts (Bannister, 2015).

As Chinese philanthropy is a relatively new phenomenon, there is still a lack of academic research on the issue. There was therefore a temptation to do more than the scope of this thesis allowed in order to, “fill the gaps.” Topics like Chinese philanthropists’ investments abroad, which are definitely worthy of further study had to be omitted in the quest to fully interrogate the limitations of domestic philanthropy. With more time and space, additional case studies could be selected to further interrogate the reasons why other organisations have been less successful. Additionally, the data available from CFC provides a solid foundation for more research into both public and private foundations in China.

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### **3. Philanthropy and Civil Society in China: Theoretical Foundations**

#### **3.1. Introduction**

The key theoretical concepts in this thesis are: philanthropy, Confucianism, and civil society. This section begins with an exploration of the differing definitions of philanthropy and charity in both China and elsewhere and arrives at a workable definition of philanthropy as, *giving which redistributes private resources (time and money) for public good in a structured, formalised way and which makes a contribution to social change*. Confucianism, the leading social philosophy of China based on the teachings of Confucius, is understood both in terms of the implicit values and mores it retains within Chinese society as well as its explicit re-adoption by the CCP as a guiding ideology. Civil society at its core means, “all the voluntary associations that exist outside of the state, economy and family” (LSE, 2004). This thesis examines to what extent philanthropic activity in China conforms to the Republican-Liberal-Democratic or the Gramscian hegemonic model of civil society and utilises the concepts of the “noncritical realm” and “embedded activism” to explain civil society in a Chinese context. Using these theories can contribute to a better understanding of the barriers to “structured, formalised” redistribution of private resources in China and the ability of philanthropy to stimulate “social change.”

#### **3.2. Philanthropy and Charity**

The literal meaning of philanthropy is the “love of humanity” (Grady, 2014, p. 2). Joan E. Spero’s 2014 Foundation Center report on charity and philanthropy in the BRIC countries contains the standard American distinction between charity and philanthropy. It defines charity as efforts to alleviate suffering and support the poor via food, shelter or healthcare; in effect addressing the

symptoms of human suffering. Philanthropy on the other hand is defined as giving that promotes social change and deals with the root causes of social ills (Spero, 2014, p. viii). Charity is represented by private, personal, ad hoc and family or clan-based giving, in contrast to philanthropy which is characterised as more formalised, institutionalised, professional and strategic (*Ibid.*, 1). There is a value judgement inherent in these American definitions with philanthropy as the more positive of the two. In contrast, philanthropy in a UK context has, “disparaging connotations of Victorian “do-gooderism” and is often seen as elitist, patronizing, morally judgmental, and ineffective, as well as old-fashioned and out-of-date.” (Wright, 2001, p. 399). Both philanthropy and charity must therefore be understood in the context of the cultures in which they exist.

Charity as defined by Spero is well developed in contemporary China and has a long history within Chinese culture. Lu and Nan point to the charitable concepts central to the teachings of China’s three main philosophical traditions: Confucianism, Taoism and Buddhism (Lu & Nan, 2013, p. 18). The types of charitable giving proposed within these traditions are discussed in more detail in Section 3.3.1. Additionally, economic liberalisation in post-reform China has brought about the rise of a new business class. These newly wealthy entrepreneurs make donations to “give back” to their communities, for example to build a school or hospital in their hometown. This giving helps the disadvantaged but also increases the entrepreneurs’ social standing, legitimises their wealth and strengthens government ties (Spero, 2014, p. 1). These donations have traditionally been unstructured, ad hoc and closely related to clan or family, thereby fitting Spero’s definition of charity. Additionally, ordinary Chinese give far more generously in response to natural disasters. The aftermath of the 2008 Wenchuan earthquake in Sichuan province for example saw a massive spike in public donations. Two weeks after the earthquake, public donations exceeded 30 billion Yuan, which was equivalent to total public donations in 2007 (Shieh & Deng, 2011, p. 181).

Less well-developed in China is philanthropy that promotes social change or deals with the root causes of social ills. The model of giving for the most wealthy individuals in society epitomised by high-profile American entrepreneurs such as Bill Gates and Warren Buffet, who have given away a significant portion of their wealth, and by the charitable campaigns led by George Soros, Ted Turner and Oprah Winfrey has yet to be seen in China to the same extent. There are a number of reasons for this, including an insufficient amount of Civil Society Organisations (CSOs) that could act as conduits for the donations of Chinese philanthropists, the constrained situation in which organisations that are operating have to work, as well as a lack of tax incentives. Most giving in China is still directed by and done in conjunction with government-sponsored organisations which naturally precludes certain politically sensitive sectors (Spero, p. 8).

Melissa Berman, CEO of Rockefeller Philanthropy Advisors (RPA), feels that the standard US dichotomy between philanthropy and charity is too simplistic and disparages the value of charity. She

sees philanthropy as an all-encompassing term for “the voluntary use of private resources for public benefit,” which includes different kinds of charitable giving (Berman, 2014). Acts of charity that treat the symptoms of human suffering may have additional, long-term, “strategic” benefits. Additionally, for Berman, as the idea and value of being charitable exists in religions and cultures all over the world, to belittle and ignore charitable giving at the expense of philanthropy is disrespectful and unhelpful (*Ibid.*). There needs to be a move beyond the oft-repeated question of whether it is better to give a man a fish (charity) or to teach a man to fish (philanthropy). Berman suggests we ask whether the man wants to fish, or even likes fish at all (*Ibid.*).

The Chinese definitions for charity and philanthropy are not so well defined. *Cishan* (慈善) is usually translated as “charitable” or “benevolent,” but the word for a philanthropist is *cishanjia* (慈善家). Another important term is *gongyi* (公益), which means “public good” or “public welfare.” Although not directly interchangeable, we can roughly equate *cishan* with Spero’s definition of charity. The China Philanthropy Research Institute’s (CPRI) draft version of the forthcoming China Charity Law (慈善法 *Cishan Fa*) defines *cishan* as giving relief from poverty and providing succour for the underprivileged (Simon, 2014). However, at the time of writing, the 2015 Charity Law, which is expected to clarify the definition of *cishan* in Chinese law, has not yet been released. This lack of definition is of consequence in terms of registering a charitable organisation. *Cishan* organisations are able to register with the Ministry of Civil Affairs (MCA) without a government ‘sponsor’ agency (*Ibid.*). Registration issues are dealt with in Section 5.2.

The 1999 Public Welfare Donations law defines *gongyi*, or “public welfare,” as including:

- 1) Activities by community groups in disaster relief or poverty relief, or in giving assistance to the disabled;
- 2) Educational, scientific, cultural, public health and sports services;
- 3) Environmental protection and public utility construction; and
- 4) Other public and welfare services to promote social development and progress.  
(NPC, 1999)

Therefore, under the current legal framework we can infer that *gongyi* has a broader definition than *cishan* in that it is concerned not only with easing human suffering but with a wider range of social and environmental issues. *Gongyi* is somewhat, though not totally, interchangeable with the American definition of philanthropy, but involves a more limited commitment to social change.

By combining the findings of US, UK and Chinese scholarship on the subject, as well as Chinese law, a more nuanced understanding of philanthropy can be found. Without disparaging the genuine benefits that “charity” brings in relieving human suffering, this thesis focuses on a “philanthropy” that is understood as *giving which redistributes private resources (time and money) for public good in a structured, formalised way and which makes a contribution to social change*. This includes volunteering one’s own time or creating an organisation or foundation that contributes to this cause.

Philanthropy is not exclusively for the wealthiest members of a society and does not necessarily exist outside of state and market mechanisms; indeed, in a Chinese context successful philanthropists must work *with* rather than against the state and the market.

### **3.3. Cultural Context**

It is essential to understand notions of charity and philanthropy in the cultural context in which they operate. In the USA for example, almost half of all philanthropic donations go to religious organisations, reflecting both the influence of Judeo-Christian ideals of giving such as tithing, as well as the status of the church within American society.<sup>2</sup> The cornerstones of American democracy, freedom and liberty, lead to a general distrust of “big government” and taxes in US society. This nurtures the idea that the well-off have a duty to give back to society, as reflected by higher rates of giving overall than any other country (CAF, 2014), but also the notion that private philanthropy is a more effective social service mechanism than government redistribution. The US model of philanthropy is therefore informed by both cultural norms, specifically the Christian church and other religious organisations, and socio-political values, such as free-market economics, freedom of choice and democracy.

As Chinese philanthropy operates in a different cultural and socio-political context to the USA, philanthropic giving in China is significantly different. Whereas strategic philanthropy in the USA began with wealthy entrepreneurs like Andrew Carnegie and John D. Rockefeller in the 19<sup>th</sup> century and developed throughout the 20<sup>th</sup> century; Chinese philanthropic organisations were closed down or taken over at the end of the Civil War in 1949 and philanthropy characterised as a tool, “used by the ruling class to deceive the Chinese people” (Lu & Nan, pp. 18-19). From 1949 to 1976 under Mao Zedong, the onus was on the Party-state to provide cradle-to-grave social welfare provision, leaving no room for private philanthropy or philanthropic organisations. Additionally, as an officially atheist state, Chinese people do not have the same religious imperatives as their American counterparts to give, nor the religious institutions through which to do so. In the first decades of Deng Xiaoping’s Reform and Opening policy, large government-organised NGOs (GONGOs) that had been disbanded under Mao, such as the China Red Cross Society (中国红十字会 *Zhongguo Hongshizi Hui*), were re-established. Additionally, new GONGOs like the China Foundation for Poverty Alleviation (中国扶贫基金会 *Zhongguo Fupin Jijinhui*) were formed. Philanthropy has therefore retained much closer ties to the state in China than in the US and private philanthropy is comparatively underdeveloped. For example, compared to the 80,000 or more private foundations in the USA (McGlaughon, 2014), there are currently only around 2,300 in China, of which just 50 are grant-making, conducting financial transactions and signing contracts with grassroots NGOs (Asia Society, 2014).

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<sup>2</sup> 43.6% of total US donations in 1998 went to religious organisations (Wright, 2001, p. 402).

### 3.3.1. Confucianism

Confucianism, along with Buddhism, Taoism and Legalism, is one of the four most important Chinese ethical-philosophical systems. Based on the teachings of Confucius (551-479 BC), Confucianism is a humanistic tradition that emphasises earthly relationships rather than belief in a divine God. Key concepts within Confucianism are virtue (德 *de*), ritual (礼 *li*), and benevolence (仁 *ren*). One can become virtuous by practicing self-discipline, demonstrating respect for others and their roles within society and by acting benevolently towards those in need. Confucianism has been adopted, adapted and rejected by various rulers throughout Chinese history but remains the philosophical basis through which Chinese people interact with each other and the world.

In terms of Confucianism's relationship with philanthropy, four somewhat contradictory hypotheses can be made. Firstly, Confucian texts actively promote charitable giving. Secondly, Confucian social hierarchy does not place responsibility on individuals to engage in philanthropy, instead prioritising the role of the virtuous ruler. Thirdly, as the Confucian notion of power emanates from a single, centralised source and is not shared, individual initiative and grassroots philanthropy can be understood as oppositional and confrontational, even if not overtly sensitive or controversial. Lastly, as Confucianism is a philosophical tradition rather than a religion, it does not compel its adherents to engage in philanthropy and charity to the same extent that religions do.

*The Analects*, the foundational text of Confucianism, gives a wide variety of advice to readers on how to live well and justly. Perhaps the most important is the “Golden Rule,” or maxim of reciprocity: “Never do to others what you would not like them to do to you” (15.23) (Confucius, 2012, p. 207). This rule is common to almost all major world religions and ethical traditions in some form; also being an important concept in Christianity.<sup>3</sup> Another significant passage in *The Analects* is the phrase, “A gentleman helps out the necessitous; he does not make the rich richer still” (6.3) (Ibid. p. 67). The virtuous Confucian gentleman (君子 *junzi*) must therefore possess a social conscience and help those in need. Additionally, “the true gentleman is conciliatory but not accommodating” (13.23) (Ibid. p. 171), striving for social harmony but maintaining a personal moral code and not blindly following the crowd. *The Analects* therefore lays the foundation for individuals in Chinese society to sympathise with those less fortunate than themselves and engage in charitable giving.

However, although the good Confucian gentleman helps the needy and does not engage in behaviour he himself would not like to be done to him; the strict social hierarchy of Confucianism can actually be a barrier to philanthropy. Whereas US society prioritises individual initiative; under Confucian philosophy, charity is the prerogative of the ruler (Chodorow, 2012, p. 50). A government led by

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<sup>3</sup> The Confucian “Golden Rule” is however phrased in the opposite way to the Christian “do unto others as you would have done unto yourself.”

benevolent scholar-officials is expected to guide and provide for the people. Confucius offers a framework for all social interaction in the five basic relations of sovereign to subject, father to son, husband to wife, older brother to younger brother, and friend to friend. The weaker parties should demonstrate filial piety (*孝 xiao*) to their superiors, who, in return, will demonstrate benevolence. Additionally, Confucius said on government, “Let the prince be a prince, the minister a minister, the father a father and the son a son” (12.11) (Confucius, p. 151). The roles of rulers, including the exercising of benevolence to the needy, are thereby as clearly defined within Confucianism as those within the family.

Not only does Confucian philosophy subconsciously influence and inform contemporary attitudes in China, it has been formally rehabilitated in official rhetoric, after being sidelined for much of the 20<sup>th</sup> century and even shunned as backwards and feudalistic during the Cultural Revolution. For example, Xi Jinping, speaking in September 2014 at an international conference commemorating the anniversary of Confucius’ birth, placed the CCP as, “the successor to and promoter of fine traditional Chinese culture” (Jin, 2014) . By co-opting Confucianism into its political rhetoric, the CCP boosts its own legitimacy and is able to highlight China’s exceptionalism (Ibid.). Whereas modernisation theory holds that economic growth facilitates the process of democratisation; China is attempting to rely on the tenets of Confucianism to provide cohesion and harmony without Western-style democracy and civil society. Therefore, although charitable giving is a key tenet of Confucianism, the CCP’s interpretation of a Confucian society may not necessarily be one conducive to philanthropy.

Additionally, although participation in Christianity, Buddhism and other religions is on the rise in China,<sup>4</sup> the PRC remains officially an atheist country. Moreover, although Confucianism is an extremely important philosophical underpinning of the Chinese psyche and is often described as “quasi-religious,” it does not compel its adherents to action in the same way that for example Christianity does in the USA.

### **3.4. Civil Society**

The simplest definition of civil society is that of “all the voluntary associations that exist outside of the state, economy and family” (LSE, 2004). Building a trustworthy and accountable civil society is of utmost importance in encouraging the development of philanthropy (Grady, 2014). Philanthropy is dependent on a vibrant civil society to help identify, implement and organise activities to help those in need. Without this, even nations with large number of wealthy donors will be unable to donate their resources effectively (Hudson Institute, 2013, p. 4). While most scholars accept that voluntary, non-state, non-market and non-family associations make up civil society; there is disagreement on its function. In what Catherine Goetze calls the ‘Republic-liberal-democratic model’ (RLD), civil society

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<sup>4</sup> Jamil Anderlini estimates that there are now 100 million Christians in China; more than the 87 million Communist Party members (Anderlini, 2014).

is distinct from the market and state and acts as a “critical and complementary” third sector (Goetze, 2008, p. 36). The RLD model of civil society is a democratising force in which individuals, via voluntary association can make their voices heard and help implement positive social change.

In contrast to the RLD model, where civil society is an essential counterweight to the state and market, the ‘hegemony model,’ developed by Italian Marxist Antonio Gramsci, sees the ideology of states and markets mirrored and extended into voluntary associations and civil society in general (*Ibid.*, p. 37). Furthermore, under Cultural Hegemony, the values and mores of a society are manipulated by one social class in order to establish a ruling class that is justified in dominating other social classes in society (Yuan & Han, 2015). For Gramsci, writing about Western systems in the early 20<sup>th</sup> century, this hegemonic ideology was broadly supportive of liberal-democratic states and the market economy. As China is a Communist country in name, with a centralised, Leninist political system accompanied by a comparatively open market economy, applications of the ‘hegemony model’ must bear in mind the difference between the hegemonic thought of early 20<sup>th</sup> century Europe and contemporary China.

If Gramscian hegemonic civil society is considered on an international basis, many of the world’s large INGOs could be seen as representative of the politics and ideologies of their home countries, which are predominantly the USA and Europe. Critics of philanthropy have suggested that it entrenches Western-style capitalism and its associated inequalities, distorts political agendas, directs resources in problematic directions and paints consumerism as a salvation (Hassid & Jeffreys, 2015, p. 79). For the current Chinese administration, global civil society forces are often seen to represent Western subversion and interference in China’s domestic affairs. Therefore, when considering Chinese civil society from a Gramscian perspective, it is perspicacious to interrogate whether its forms, organisations, and values mirror those formed by the liberal elite of global civil society; or those of domestic business and government leaders, many of whom are members or closely linked to the CCP.

Civil society is conceptually problematic for the CCP. In the year after Xi Jinping took office, CCP cadres were required to watch a documentary on the collapse of the Soviet Union which described an American conspiracy to overthrow Communism via a steady infiltration of subversive Western political ideas such as civil society, a “peaceful evolution” (Osnos, 2015). In 2011, a propaganda directive banned the use of the term “civil society” (公民社会 *gongmin shehui*) in news reporting (Bandurski, 2011). Additionally, “Document No. 9,” a CCP communiqué leaked to the press in April 2013 identifies civil society as one of seven dangerous Western values intended to destabilise party

rule (ChinaFile, 2013).<sup>5</sup> The creation and expansion of autonomous spheres of public debate and action contributed to the downfall of Communism in Europe in 1989, as it did to the Eastern European “colour revolutions” in the early 2000s and the Arab Spring in 2011. In reality, civil society in China lies somewhere in-between the two extremes of the RLD and hegemonic models, and the Chinese state needs and appreciates the social benefits that it can bring. However, practitioners of philanthropy must tread a fine line in terms of which organisations to donate to, work for, or volunteer with.

In traditional Chinese culture, there is not a clear definition of the role that society should play. In terms of Chinese language, the word for country, “国家” (*guojia*) contains the characters for “country” and “family” but does not include a space in-between for society. Confucius, in the Book of Rites (礼记 *Li Ji*) wrote, “修身，齐家，治国，平天下” (*xiushen, qijia, zhiguo, pingtianxia*), “Cultivate yourself, bring order to the family, govern the country and bring peace to all.” Again, in this overarching statement, there is no role for society; the three units to be improved or governed are the self, the family and the country.

In addition to the lack of space for a concept of society in traditional Chinese culture; society has tended to be tightly controlled in China under the CCP. However, at the CCP’s 18<sup>th</sup> Party Congress in 2012 the concept of “zhengshe fenkai” (政社分开, “separation of government and society”) was introduced. Tony Saich sees this move as the Chinese government signalling a shift towards society taking more responsibility for itself with the state gradually loosening the tight control it has thus far exercised on society and societal organisations (Asia Society, 2014). Heather Grady has written that this separation is as important as the split between state and market and the beginning of Reform and Opening in 1978 (Grady, 2014, p. 11)

“Civil society” is often translated into Chinese as “公民社会” (*gongmin shehui*), a “citizen’s society.” This is the term referenced in point three of “Document No. 9” and carries with it the ideologically problematic notions of mass protest, colour revolutions and instability. An alternative translation is “民间公益” (*minjian gongyi*), roughly understandable as “non-governmental public welfare” or “popular public welfare.” This term, as used by some academics and CSOs, situates civil society as a form of public service; a third sector that is complementary to, rather than critical of, the state.

### **3.4.1. The Critical and Noncritical Realm**

Yanqi Tong’s 1994 essay on civil society in Hungary and China before 1989 identifies the formation of a “critical realm” of Hungarian civil society that was crucial to its eventual regime change. In reforming state-socialist regimes the “critical realm” combines a society that is overtly political with a public sphere, the space between civil society and state where the two interact, that is also politicised

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<sup>5</sup> The other dangerous values being: Western constitutional democracy, universal values of human rights, pro-market neo-liberalism, media independence, historical “nihilism” (criticism of the Party’s past errors) and questioning of Reform and Opening.

(Tong, 1994, p. 334). China, on the other hand, had autonomous organisations that made up a *civil* society, but not a *political* society, in that these organisations were not able to influence state decisions and obtain a share of state power (*Ibid.* p. 333). The emergence of a civil society can be seen in a positive light as an embourgeoisement process whereby the proletarians first become bourgeoisie and finally citizens; or more negatively as an implicit nonaggression pact whereby the state allows citizens a limited pursuit of private or egoistic ends in exchange for political abstention (*Ibid.* p. 341).

Tong identified the emergence of formalised, structured philanthropy as a key progenitor of social change in Hungary, writing that “the emergence of organised sources of private funding made a much greater contribution to the development of civil society than did the individual actions of generous rich people” (*Ibid.* p. 341). Additionally, Tong saw the formation of private foundations as of great importance in allowing financial resources from the noncritical realm to support the critical realm in Hungary (*Ibid.* p. 349). China did not experience the same growth in the number of private foundations in the 1980s, but is doing so now. Hungary’s foundations were not directly confrontational, dealing with issues like domestic poverty, world peace and the environment, but in expressing an independent public opinion indirectly came into conflict with a state unwilling to cede control (*Ibid.* p. 346). From this historical and theoretical perspective, it is possible to analyse the impact and future prospects of China’s private foundations and philanthropy in general.

Although not directly applicable, a number of useful connections can be made between the concepts of the critical and noncritical realms and those of philanthropy and charity. Philanthropy, with its emphasis on social change, structure, and formalisation of giving can contribute to the development of a critical realm within civil society via the creation and support of CSOs. The majority of Chinese giving goes to broadly noncritical sectors such as education, poverty alleviation and disaster relief (Lu & Nan, 2013, p. 22), all of which are worthy causes deserving of support. However, the development of a more forceful and visible critical realm of civil society can not only help the stunted development of CSOs engaged in sensitive sectors such as labour rights and religion, but also increase the capacity, ability and strength of all CSOs.

### **3.4.2. Embedded Activism**

Peter Ho’s concept of “embedded activism” is also useful in analysing the impact of philanthropy in China. Ho questions the prevailing notion in Western academia that “political change must result from a broadly supported social movement” and warns that, “the idea of democracy as multitudes of citizens taking to the streets may be attractive but simultaneously misleading, as it disregards the nature and course of political change that is taking place in China today.” (Ho, 2008, p. 2) These ideas, largely based on historical experiences elsewhere, may not be applicable to China. Ho sees the Chinese system as “semi-authoritarian” in that formal state limitations are placed on freedom of

speech and of association while at the same time an increasing number of social spaces are allowed for both civic and voluntary action (*Ibid.* p. 3). Therefore the dynamics of social movements are “embedded” within the system; positive social change often emanating gradually from NGO-state cooperation as opposed to violent street protests.

Although Ho’s “embedded activism” was developed in studies of environmental activists in China, we can extrapolate its theoretical basis to analyse the impacts of philanthropy and ask a number of questions. As shown above, a key attribute of philanthropic giving is a commitment to social change. If philanthropic givers are “embedded” within the state system through government roles, kinship ties or otherwise, to what extent can they make a contribution to this social change? From a Gramscian perspective, does philanthropic giving in China merely mirror the prevailing hegemonic thought of the CCP with both its inherent strengths and weaknesses? Do the opportunities available to China’s philanthropists by allying with state actors outweigh the political constraints placed on them? While the key players in Chinese philanthropy are not necessarily activists, we can adapt Ho’s concept to describe them as “embedded innovators” who find new, creative and effective ways to redistribute wealth.

### **3.5. Conclusion**

In attempting to answer the question of why China’s philanthropy has not kept pace with its economic development, we must consider the meaning of the word philanthropy in a Chinese context, the specifics of China’s economic development and of China’s cultural, social and political context. Without suggesting that American-style philanthropy is applicable to China, this thesis nevertheless holds that another Western concept, a robust civil society, is of great importance to the development of a Chinese philanthropy that contributes to social change. This civil society, with CSOs as its building blocks, provides the means through which people can practice philanthropy and raises awareness of social responsibility among the public. Civil society need not conform to the RLD model and be completely independent of the state, nor need it be wholly “critical.” Indeed civil society often requires the state’s support and key drivers of civil society may be “embedded” within the state. However, excessive state restrictions on civil society provide a sizeable barrier to its development and by extension, to the development of philanthropy.

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## **4. Philanthropic Structures**

### **4.1. Civil Society Organisations in China**

Legally-registered<sup>6</sup> Civil Society Organisations (CSOs) in China are referred to generically as “social institutions” (社会组织 *shehui zuzhi*). Under this umbrella term are three main categories: “social organisations” (SOs, 社会团体 *shehui tuanti*), “civil non-enterprise institutions” (CNIs, 民办非企业单位 *minban fei qiyey danwei*), and foundations (基金会 *jijinhui*). Social organisations are roughly equivalent to US membership associations and include trade and professional associations. Civil non-enterprise institutions are non-profit service providers such as schools for the mentally handicapped (ICNL, 2013). Foundations, since the 2004 “Regulations on Foundation Management,” are split into two further categories: “public fundraising foundations” (公募基金会 *gongmu jijinhui*), often referred to as “Public Foundations,” and “non-public fundraising foundations” (非公募基金会 *fei gongmu jijinhui*), or “Private Foundations”. Public Foundations are allowed to raise funds publicly, whereas Private Foundations are not (CDB, 2011, p. 4). Generally, but not exclusively, social organisations and public foundations are GONGOs (管办组织 *guanban zuzhi*) whereas CNIs and Private Foundations are often independent or “grassroots” (民间 *minjian* or 草根 *caogen*) NGOs with fewer or no ties to the state (*Ibid.* p. 4)

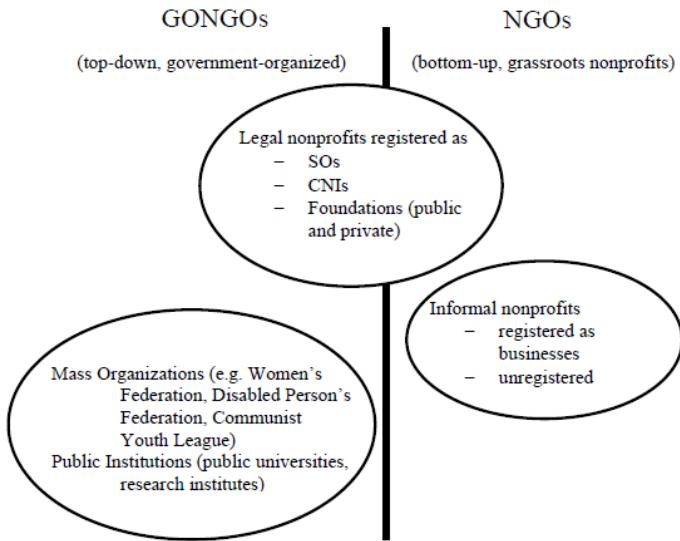
However, these legally-registered organisations do not represent the entirety of the philanthropic sector in China. To these organisations we can also add the NGOs that are not able to register as such and operate as for-profit businesses and those that are unregistered entirely. Those that choose to register as for-profit do not receive the tax breaks that legally-registered NGOs do and those that do not register at all technically operate in an illegal and therefore insecure environment (Spero, 2014, p. 14). Additional entities that can also be regarded as part of the philanthropic sector include Mass Organisations (群众团体 *qunzhong tuanti*) such as the All-China Federation of Trade Unions and the All-China Women’s Federation, and Public Institutions (事业单位 *shiyey danwei*) such as public universities and research institutes (see Figure 1). CSOs in China, as in other developing countries such as Brazil, Russia and India (BRIC) often lack legitimacy, resources, management expertise, transparency and a clear legal status (Spero, 2014, p. 15).

**Figure 1: The Non-profit Philanthropic Sector in China**

(Circle size roughly denotes relative size of each group) (CDB, 2011, p. 5).

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<sup>6</sup> See section 5.2. “Entry and Registration” for issues surrounding the legal registration of CSOs in China.



From Figure 1, **Figure 1: The Non-profit Philanthropic Sector in China** it is clear to see that the Chinese philanthropic sector is diffuse and varied but that top-down, government-organised social organisations still dominate compared to bottom-up, grassroots nonprofits. Most giving in China is directed by and done in conjunction with government-sponsored organisations (Spero, 2014, p. 8). Theoretically, this would suggest that China has a civil society sphere akin to the Gramscian hegemonic model, where the state is able to implicitly and explicitly impart its values and mores onto a large number of social organisations.

However, the guiding hand of the state does not necessarily constrain the growth of philanthropy in China. Indeed, the Chinese state is a multi-faceted organism whose various departments often have differing agendas and priorities. An issue in much Western, as well as some Chinese analyses of Chinese civil society and philanthropy is to view the Chinese state as monolithic and fail to disaggregate the different actors within the state apparatus. For example, both the Ministry of Civil Affairs (MCA) and the Ministry of Public Security (MPS) are involved in drafting regulation on NGOs but have different agendas. Additionally, viewing state interference in civil society as unnatural or disruptive because it does not conform to international (i.e. US) norms is also unhelpful. In many European countries, the state remains an influential donor; meaning that an independent civil society is difficult to realise anywhere. Tony Saich suggests that for some NGOs that “nest” in government facilities, a symbiotic NGO-GONGO relationship can be beneficial, even for those engaged in advocacy work, as it provides a direct line to government and to the national press (Asia Society, 2014). This supports Peter Ho’s theory of embeddedness; the idea that genuine social change can and is being brought about through interaction with, and often from, state actors (Ho, 2008).

## 4.2. Private Foundations

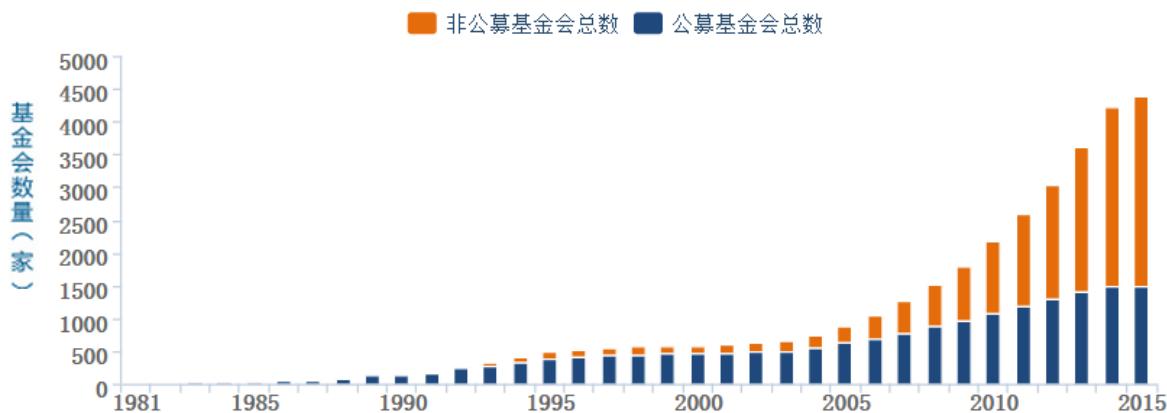
Of particular interest to this thesis is the rise of private foundations in China. Spero defines private foundations in an international context as, “secular, nonprofit organisations that makes grants or run grant programs, are independent of government and are locally owned, governed and operated” (Spero, 2014, p. 6). In addition to the basic characteristics of private foundations in China mentioned in the previous section (inability to fundraise publicly and often independent nature), there are significant restrictions on private foundations’ registration and operation. These include the requirement of two million RMB of registration capital (Huang, 2014) and of having to register only with the MCA. By registering with this body, private foundations are prohibited from supporting controversial areas like advocacy and legal aid, constrained from work in labour, religious and ethnic affairs, required to report their work to the MCA and allow significant intervention in their internal affairs (Spero, 2014, p. 9).

Despite these restrictions, the China Foundation Center (CFC) reports a significant growth in the number of private foundations in China. As of May 16<sup>th</sup> 2015, there were 4,394 registered foundations in China, 1,503 of which were public and 2,891 were private (see Figure 2). From this chart it is clear that the 2004 “Regulations on Foundation Management” were of vital importance in allowing the growth of private foundations due to the rapid increase in their number in the following eleven years.

**Figure 2: Number of Foundations in China (May 2015)**

(Blue (bottom) represents public foundations; orange (top) represents private foundations) (CFC, 2015)

截至 05月16日，基金会总数达 4394 家，其中公募基金会 1503 家，非公募基金会 2891 家



The rise in the number of private foundations in China is an important phenomenon in that it signals the loosening of the state monopoly on fundraising (Lu & Nan, 2013, p. 21). Private foundations cannot publicly fundraise but provide a mechanism for wealthy individuals in society and companies to redistribute their wealth. As opposed to state-led redistribution which often focuses on macro-level indicators and national statistics in choosing projects, organisations, and areas to donate to; private foundations’ choices are more commonly centred on specific themes based on their founder(s)’ vision of a just society interpreted by current leaders (Grady, 2014, p. 19). Therefore the growth of private

foundations is a positive phenomenon in that it allows for a more diversified public welfare sector and loosens the state's control of charitable resources. Private foundations are a relatively new trend but an important one, and their continued growth should help contribute to a more efficient and diversified philanthropic sector.

The re-emergence of private wealth in China is of great importance to the development of philanthropy and has contributed to the rise of private foundations. Rather than simply donating to GONGOs or leaving money to one's children; socially-minded entrepreneurs can start their own private foundations to practice philanthropy in a way meaningful way to them. In addition to the growth in the sheer number of private foundations, the amounts of money that they now have to give has also grown. The three private foundations that spent the most on charitable causes in 2013 (not including those private foundations affiliated to educational institutions) spent a combined total of 720 million RMB, a sum unimaginable ten years ago (CFC, 2015). Therefore, private foundations are an effective and attractive wealth redistribution mechanism for those in Chinese society with wealth and a social conscience.

However, of the 4,394 foundations in China as of May 2015, less than 100 were grant-making foundations, most instead choosing to carry out their own programs (sometimes called "operational foundations"). Grant-making foundations are those which conduct financial transactions and sign contracts with grassroots NGOs (Asia Society, 2014). For Heather Grady, grant-making portfolios "help build communities of practice, disciplinary fields, and social movements for positive change (Grady, 2014, p. 5). The current lack of grant-making foundations in China is therefore a limit to the development of philanthropy in general. This lack of grant-making also stands as a barrier to the creation of a more interconnected civil society between what are often wealthy, politically connected philanthropists and vulnerable, badly-funded grassroots NGOs. Furthermore, grant-making foundations provide a conduit for the transfer of financial resources from the noncritical to the critical realm (Tong, 1994, p. 349). In terms of the reasons for this lack of grant-making, we can point to a deficit in awareness of the work of grassroots NGOs as social service providers, a lack of trust in these organisations as well as the comparatively low skill levels among NGO workers compared to those at foundations (Chen, 2015).

There is a tendency in Western criticism to view civil society in other countries in terms of how it compares to that of the USA. As the norm in the USA is for private, independent foundations that make grants to grassroots NGOs, it is tempting to point to the lack of such organisations in China as indicative of a weak philanthropic sector. However, as Toepler (1999, p. 219) points out, in Germany a large proportion of private foundations are a mix of both grant-making and operational. Therefore the famous American foundations that are purely grant-making such as Rockefeller and Ford are more

representative of the US reality than any kind of international norm. This is not to discount the importance of grant-making foundations but to internationalise the context in which they are analysed.

Historically, the rise of private foundations was a key progenitor of the democratic transition in Eastern Europe. In the early 1980s, Hungarian dissidents founded the Foundation to Assist the Poor (SZETA), which tackled the issues of domestic poverty, world peace and the environment (Tong, 1994, p. 345). Although SZETA was not directly confrontational; in expressing independent public opinion it came into conflict with the Hungarian state and eventually lost its funding (*Ibid.*). However, SZETA's expansion of the autonomous sphere of public debate in the country did play a role in bringing about the political transition out of socialism (*Ibid.*). Tong points to the lack of such independent foundations in 1980s China as one reason why the pro-democracy movement ultimately failed. Although the growth in the sheer number of private foundations in China is impressive, their development is still at an early stage, with the vast majority not making grants or engaging with grassroots NGOs (Asia Society, 2014). Furthermore, it should not be expected that these organisations' development should necessarily lead to a recognisable democratic transition in the near future. Indeed, as Peter Ho suggests, the dynamics of social movements are embedded within the Chinese system (Ho, 2008, p. 3). Private foundations working with central authorities against corrupt or polluting local governments is also an example of a philanthropic organisation making a positive contribution to social change, albeit not within the narrow framework of democratisation as “multitudes of citizens taking to the streets” (*Ibid.* p. 2).

#### **4.2.1. Case Study 1: The Narada Foundation**

The Narada Foundation (南都基金会 *Nandu Jijinhui*), founded in 2007, is one of the small number of private foundations in China that provide funding to grassroots NGOs and pushes GONGOs to support them too (Shieh, 2010). Other such organisations include the YouChange Foundation, Vantone Foundation and Alashan SEE Foundation (*Ibid.*). The organisation's founder and Chairman, Xu Yongguang, is also Emeritus Chairman of the CFC and Vice President of the China Charity Alliance (CCA). As well as these organisational connections to other philanthropic organisations, Xu is also politically connected as the former Director of the Communist Youth League's (CYL) organisation department in the 1980s and a member of the ninth and tenth National Committees of the Chinese People's Political Consultative Conference (CPPCC) (CFC, 2015). Wealthy, connected, knowledgeable, and passionate philanthropists like Xu are able to use private foundations as the conduit through which to redistribute wealth in a more equitable way. Xu is a prime example of Ho's “embedded activism,” in that he can wear the hats of both the political and non-profit sectors in order to further the development of grassroots NGOs.

The Narada Foundation states on the front page of its English language website that its mission is to “foster civil society” (Narada, 2015). This is translated into Chinese as “支持民间公益” (“zhichi

*minjian gongyi*). *Minjian gongyi*, as shown in Section 3.4. is translatable as “non-governmental public welfare” or “popular public welfare” and is less ideologically loaded than the other Chinese translation for civil society, *gongmin shehui*. *Minjian gongyi* civil society is a form of public service; a third sector that is complementary to the state, whereas *gongmin shehui* carries with it connotations of a civil society that is more antagonistic and critical of the state. Although Narada is committed to supporting grassroots NGOs via grant-making, these organisations generally work in non-critical areas such as migrant children and disaster relief (Ibid.).

The “New Citizen Program” is an initiative funded and developed by the Narada Foundation to improve the environment for the children of migrant workers through educational services for both the children and their parents. The New Citizen Program also aims to train social workers, give aid to teachers who need it, and work on community education (Ibid.). According to Patti Waldmeir of the Financial Times, who visited the New Citizen Program in Shanghai, the success of the project lies in the fact that it offers services that the state does not, does not patronise those who use its services and is transparent in its bookkeeping (Waldmeir, 2012). As the Chinese state is also concerned with issues like migrant children’s education, the New Citizen Program and others like it, act as complementary counterparts to state-run projects, despite involving the funding of grassroots NGOs.

Another way in which the Narada Foundation has been innovative is in choosing to sponsor individuals as well as organisations. Participants in the “Gingko Fellow Program” are chosen for their potential to become CSO leaders in certain sectors. The successful candidates receive 100,000 RMB per year for three years, participate in organised group activities including overseas trips, engage with the media and learn from working with experienced members of the philanthropic community (Narada, 2015). This kind of long-term investment in the future of the non-profit sector is indicative of a more thoughtful and considered philanthropy than has previously been seen in China and one that does not necessarily lead to visible short-term gains. Indeed, Liu Zhouhong, former Secretary-General of the Narada Foundation says that: “if 10 out of 100 fellows would become CSO leaders in the future, it would be already an incredible achievement...the improvement of his or her team and organisation is also a goal” (Fulda, Interview with Liu Zhouhong, 2015). Through this non-controversial method, future generations of philanthropic leaders can be cultivated.

### 4.3. Public Foundations

Public foundations in China (*gongmu jijinhui*), as has been mentioned in Section 4.1., differ from private foundations in that they are able to fundraise publicly. Additionally, public foundations are generally, but not exclusively, GONGOs and have a longer history than private foundations, the first such organisations appearing in the 1980s. However, as Figure 2 shows, there has also been a surge in the number of registered public foundations post-2008, what Shieh and Deng call the watershed moment in the development of the Chinese philanthropic sector (Shieh & Deng, 2011). As public

foundations are able to fundraise publicly, they provide the main conduit through which ordinary people can engage in charitable giving. The primary causes supported by these organisations are education, health, poverty alleviation and disaster relief. As an example, the three public foundations with the highest expenditure on charitable causes in 2013 were the China Education and Development Foundation (*Zhongguo Jiaoyu Fazhan Jijinhui*), the China Cancer Foundation (*Zhongguo Aizheng Jijinhui*) and the Soong Ching Ling Foundation (*Henan Sheng Song Qingling Jijinhui*), which primarily focuses on childhood development (CFC, 2015).

Whereas in the USA, 70% of charitable donations come from the public, 60% of Chinese donations are made by wealthy entrepreneurs and businesses (Qian, 2010). Therefore public foundations face a difficult challenge to convince ordinary people to donate to philanthropic causes. There are myriad cultural, social, and financial reasons for this lack of philanthropic giving. Given that we understand philanthropy as structured and formalised modes of giving, this disregards the more informal loans, donations and grants that take place among people. Culturally, the influence of Confucianism is significant in that it prioritises the role of the ruler and emphasises care for one's family and intimate circle above care for those outside of it. Additionally, as the philanthropic sector is still relatively young, general awareness of its role and importance is not as high as elsewhere, especially as the state was expected to provide cradle-to-grave welfare provision pre-Reform and Opening. Financially, as China still lacks a developed social welfare system, people need to save more money to provide a safety net in hard times, leaving little left for donations. This is borne out by the 50% savings rate in China, compared to the global average of 20% (Han, 2012).

In terms of what public foundations can do to increase public donations, perhaps the most important aspects are building trust, transparency and accountability. While we can pinpoint 2008 and the aftermath of the Wenchuan earthquake as an important moment in the development of the Chinese philanthropic sector; 2011 is the year in which public foundations and the philanthropic sector in general suffered a major setback. The first major scandal of 2011 involved Guo Meimei, an individual who claimed to be an employee of the China Red Cross Foundation, one of China's largest public foundations. Guo used social media to flaunt her extravagant lifestyle, posting photos of her expensive sports cars, first class flights and Hermes handbags (Moore, 2011). Not only did the scandal damage the reputation of Guo herself, the China Red Cross, and public foundations in general, it more importantly led to an 80% drop in donations for the organisation (*Ibid.*). Also in 2011, the Soong Ching Ling Foundation was found to have spent only 140 million RMB on charity projects, despite receiving over 600 million RMB in donations (CCTV English, 2011). Additionally, the foundation felt that using funds to construct a giant statue of Soong in Zhengzhou, Henan province was a more worthwhile endeavour than engaging more fully in charity projects (*Ibid.*).

Despite the scandals of 2011, public foundations continue to be the most visible and most popular mechanisms for the redistribution of private wealth for public good in China. Initiatives such as the CFC's Foundations Transparency Index ([fti.foundationcenter.org.cn](http://fti.foundationcenter.org.cn)) are a positive development in terms of restoring public trust in these organisations, as well as fostering better working practices, transparency and accountability from within. CFC's lead donors are large US and European foundations (Bill and Melinda Gates Foundation, Ford Foundation, Brot Für Die Welt, Rockefeller Brothers Fund, and Give2Asia) and its working model is based on that of the US Foundation Center (Feng, 2013). This adaptation of international innovations is one way in which China's philanthropy can develop. Based firmly in the non-sensitive, non-critical realm, the best practices of global civil society can be translated into a Chinese context in order to aid the development of what is still a young sector. Whereas the Chinese state is reticent to accept the concept of civil society and its associated ideological baggage of democratisation and organised protest; the work of CFC is an example of a successful non-controversial translation of global civil societal practices.

#### **4.3.1. Case Study 2: The One Foundation**

The One Foundation (深圳壹基金公益基金会 *Shenzhen Yi Jijin Gongyi Jijinhui*) is unique in China as the first private foundation to evolve into a public foundation, thereby gaining the ability to fundraise publicly. The foundation focuses on three areas: poverty relief, children's welfare and philanthropy development (The One Foundation, 2015). When the One Foundation was founded by actor Jet Li in 2007, it was as a private foundation closely affiliated with the China Red Cross Society. In 2010, the organisation was able to successfully register as a public foundation in the southern city of Shenzhen, which had been conducting a trial project in streamlining the registration process for foundations. The capital for registration came in the form of 10 million RMB grants from each of the One Foundation's five founder organisations, the Lao Niu Foundation (*Lao Niu Jijinhui*), Tencent Foundation (*Tenxun Gongyi Cishan Jijinhui*), Vantone Foundation (*Wantong Gongyi Jijinhui*) and Vanke Foundation (*Wanke Gongyi Jijinhui*) (*Ibid.*).

As the first and so far only private organisation to successfully apply for public fundraising status, the One Foundation is still an anomaly rather than the norm, but its experience can serve as a model for the future development of foundations in China. Of particular note is its success in mobilising support and financing from some of China's richest people. The board of directors includes some of China's highest net-worth individuals such as Alibaba's Jack Ma (Ma Yun), Tencent's Pony Ma (Ma Huateng), Lenovo's Liu Chuanzhi and China Vanke's Wang Shi (*Ibid.*) The One Foundation's Deputy Director General, Li Hong, identifies this involvement as important in terms of the management expertise these directors bring, but also their ability to help raise funds via their own enterprises' platforms and mobilise public participation (Fulda, Interview with Li Hong, 2015, p. 1). The One Foundation is also quick to adapt to the opportunities offered by new technology, being for

example the first Chinese philanthropic organisation to accept donations in Bitcoin<sup>7</sup> in April 2013 (Buterin, 2013).

One of the reasons that founder Jet Li decided to apply for public fundraising status in 2010 is because he felt the One Foundation's activities were constrained by its association with the Red Cross. According to Xinhua:

Jet Li complained that the One Foundation had little say in deciding on the use of money it had raised. According to his plan, his foundation sought to focus more on supporting domestic grass-roots NGOs, which lack both money and professionals, while the Red Cross Society of China is an organization paying more attention to disaster relief.

(Wu & Wu, 2011)

The One Foundation therefore stands as a credible, independent alternative to traditional GONGOs. Although its projects and funding are purely in the non-critical realms of poverty relief, children's welfare and philanthropy development; by choosing to support grassroots NGOs, the One Foundation stands as a model for other foundations to follow in future. However, despite splitting from the Red Cross in 2010, The One Foundation still incurred some reputational damage by association in the wake of the Guo Meimei scandal (see Section 4.3.) in 2011. An old link to the Red Cross had to be hastily removed from the One Foundation's English language website when discovered in 2011 (Buterin, 2013).

Additionally, the One Foundation disregards the controversial concept of civil society; preferring to emphasise the roles that social organisations and public interest organisations can play (Fulda, An Interview with Li Hong, 2015, p. 3). This fits with Wang Zhenyao's recommendation that NGOs should make the state understand that their role is "social service," not "political reform" or "human rights." Through this conceptual transformation, reform can be brought about more quickly and more smoothly (Skoll World Forum, 2014). This applies to both large foundations such as the One Foundation, but also the grassroots organisations that they support.

In conclusion, the One Foundation is a good example of a pioneering social organisation that has taken advantage of opportunities from both the state and market. The One Foundation capitalised on political reform by registering as a public foundation during Shenzhen's trial program and has also made great use of business capital and expertise in mobilising some of China's richest individuals and most technologically advanced companies. Jet Li fits our definition of a philanthropist as someone committed to structured, formalised redistribution that contributes to social change, but also to Ho's concept of an "embedded activist." The One Foundation has helped increase the number and variety

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<sup>7</sup> Bitcoin is a virtual currency system.

of social spaces for civic and voluntary action through cooperation with the state and the market, despite formal state limitations on freedom of speech and association.

#### **4.4. Conclusion**

The organisational framework through which philanthropy operates in China is dominated by the state. Large GONGOs are still the primary source of public donations and the registration and operation of CSOs is tightly controlled, leading to a dearth of CSOs working in the critical realm as well as a lack of CSOs in general. Grassroots CSOs lack a connection with foundations, leaving them underfunded and rarely the recipients of grants. Trust in GONGOs is also low following a number of scandals.

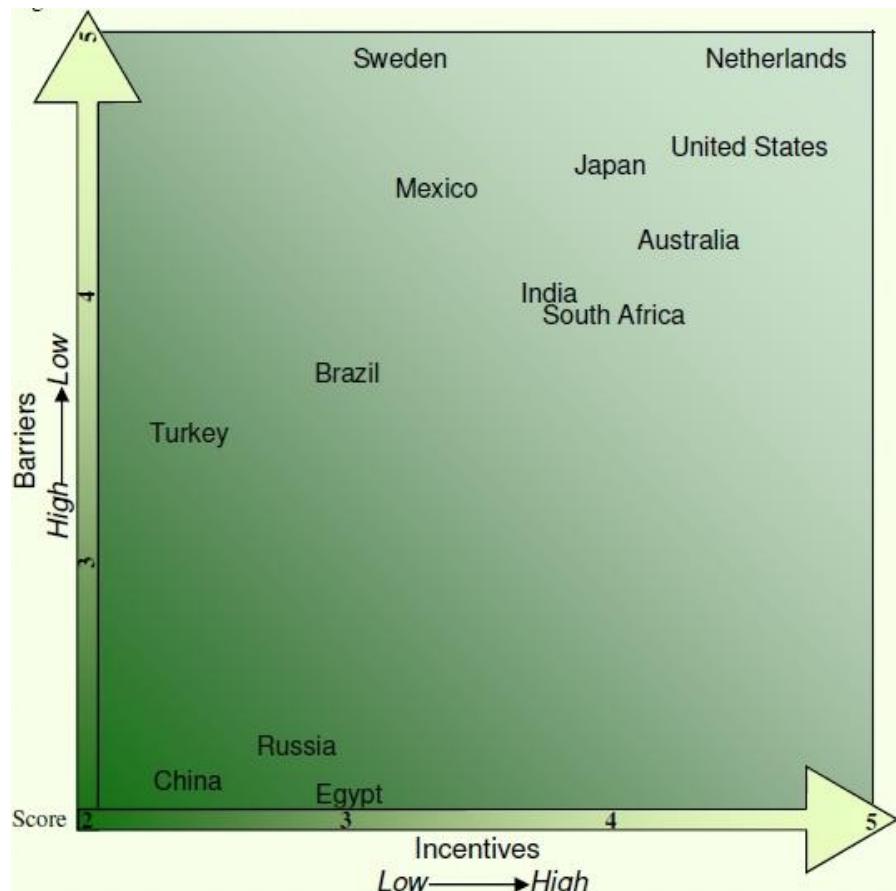
However, the state's objectives are often in line with those of independent philanthropic organisations and there can be a symbiotic relationship between the two. The rise of the private foundation post-2004 signifies a loosening of the state monopoly on fundraising and the potential for giving based on different objectives and methods. This is epitomised by the progressive, but non-confrontational Narada Foundation which makes grants to grassroots CSOs. Additionally, in successfully registering as a public foundation, the One Foundation has been able to raise funds publicly, a watershed moment for independent foundations. Therefore although state interference has so far restricted the development of philanthropic organisations in China, there are positive signs for the future, providing those organisations remain in the non-critical realm.

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### **5. Barriers and Incentives to Philanthropy**

This section supplements the organisational analysis of Section 4 by examining in detail the main barriers and incentives to philanthropy in China. The Hudson Institute's 2013 report on "philanthropic freedom" ranks China the lowest of all 13 countries surveyed in terms of barriers and incentives for individuals and organisations to donate resources to social causes (see Figure 3).

**Figure 3: Barriers and Incentives to Philanthropy by Country**  
(Hudson Institute, 2013, p. 19)



The three categories on which these countries were evaluated were: ease of registering and operating CSOs; domestic tax policies for deductions, credits and exemptions; and ease of sending and receiving cash and in-kind goods across borders (Hudson Institute, 2013, p. 3). A country like Sweden has relatively low tax incentives to give, but also has low barriers to entry for CSOs; whereas China also has low tax incentives but also has high barriers to entry for CSOs. This section aims to interrogate these three areas (tax, entry, and international influence) to determine the extent to which China deserves its place at the bottom of the Hudson Institute's rankings and its future prospects in these areas.

## 5.1. Tax System

The two main tax incentives in China that encourage philanthropy are pre-tax deductions and tax exemptions (Lu & Nan, 2013, p. 28). Pre-tax deductions discount charitable deductions from an individual or company's total income on which they pay tax whereas tax deductions make certain types of income exempt from tax. In terms of giving that is eligible for pre-tax deductions, enterprises can donate up to 12% of their total annual profits while individuals can donate up to 30% of their annual income (Chodorow, 2012, p. 16). Since 2009, non-profit organisations must pay enterprise income tax, distinguish between taxable and non-taxable income, and pay tax on income from

government contracts for social services. The only area that is classified as tax exempt for non-profit organisations is the interest on non-taxable income (Lu & Nan, 2013, p. 29).

Although the legal structures governing philanthropic and charitable donations are fairly clear in principle, in practice the waters are considerably murkier. Whereas in the USA, donations of up to 50% of annual income to any of the more than 1.5 million organisations registered as 501(c)(3) charities (Foundation Center, 2015) are tax deductible; just 62 Chinese CSOs were eligible for tax deductions in 2006 (Chodorow, 2012, p. 18). Additionally, only those organisations that are registered as CSOs can apply for this tax status; those operating as businesses must pay 5.5% of income business tax (Hudson Institute, 2013, p. 17). Certifying more CSOs as eligible to receive tax incentives is a method by which the state can encourage the growth of social service organisations without abandoning control (Chodorow, 2012, p. 41). By deciding which organisations can receive tax deductions, the Chinese state hopes to promote the development of certain philanthropic sectors such as education, poverty alleviation and disaster relief and limit the development of other more controversial areas such as legal aid, advocacy, and human rights. Tax laws are thereby another tool with which to simultaneously promote philanthropy in what are perceived by the state as essential, non-critical areas and constrain it in the aforementioned controversial sectors, which are considered critical, non-essential and potentially a threat to centralised power.

The restriction of preferential taxation legislation to those organisations that fit within the state's definition of philanthropy is a barrier to the sector's overall growth. However, the lack of certain other taxes could actually be seen to provide a boost to philanthropy. For example, China does not have an estate tax (referred to in some countries as "inheritance tax" or "death duty") which is the tax paid by a person who inherits money or property of a person who has died (Wikipedia, 2015). Therefore Chinese entrepreneurs with large fortunes are reluctant to give to their children if those children do not have careers of their own and may instead choose to donate their estate to charity (Grady, 2014, p. 9). One option, as demonstrated by Niu Gensheng, founder of the Mengniu Dairy Company and of the private Lao Niu Foundation (*Lao Niu Jinhui*), is to start a foundation and train one's children to take over (Asia Society, 2014). Therefore, the lack of an estate tax can provide the inspiration and impetus for entrepreneurs to engage in philanthropy. Rather than simply leave one's money tax-free to what are often feckless and irresponsible children;<sup>8</sup> entrepreneurs can instead start foundations to both contribute to social change and safeguard their legacy.

## 5.2. Entry and Registration

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<sup>8</sup> "Second-generation wealthy" (富二代 *fuerdai*) are the sons of daughters of China's *nouveau riche* businesspeople who made their fortunes during the Reform and Opening Period. *Fuerdai* are often categorised as leading spoilt, lavish lifestyles without having to work.

For Chinese philanthropists looking to register a social organisation, a number of barriers exist. The International Center for Non-profit Law (ICNL) identifies four such key barriers to entry for non-profit organisations in China which are:

1. System of “dual registration” for all social organizations;
  2. Extensive documentation requirements;
  3. Broad prohibitions in certain activities and areas such as advocacy, legal assistance, labor, religion, and ethnic minority affairs;
  4. Extensive discretion to deny registration.
- (ICNL, 2013)

The first of these barriers refers to the fact that social organisations have to be sponsored by a governmental “professional supervising unit” before being able to register with the MCA. If their registration is successful, these organisations will then be dually supervised by both their professional supervising unit and by the MCA. For those organisations that are able to register as non-profits, this system doubly enforces governmental oversight on their activities. Additionally, this dual registration is difficult to obtain, leaving many social organisations operating on an insecure, technically illegal basis.

Secondly, the “Regulations on the Registration and Management of Social Organisations” (1998) stipulates a strict set of conditions for social organisations hoping to register. These organisations must have a fixed location, at least 100,000 RMB in assets for those operating nationally (30,000 RMB for local organisations), at least fifty individual members or thirty institutional members, staff with qualifications relevant to the organisation’s professional activities, and must supply a wide range of organisational documents (ICNL, 2013). Furthermore, if their registration is successful, they must seek approval in separate processes to obtain an official seal, open a bank account, establish a subsidiary, modify their registration, change their charter, or change their legal representative (*Ibid.*). Put simply, registering a CSO in China is not an easy task. Although 44,000 social organisations had successfully registered in China by the end of 2012, CDB’s Guo Ting, Fu Tao and Liu Haiying estimate that these were vastly outnumbered by the more than three million unregistered social organisations at that point (Guo, et al., 2013).

Thirdly, what ICNL calls the “prohibitions” on organisations in certain sensitive areas of civil society work in two ways. Organisations engaged in advocacy, religion, labour rights, or other sensitive areas will have a harder task finding government sponsorship agencies than those in less sensitive sectors. Additionally, these organisations are excluded from preferential policy experiments. For example, from November 2012, industry and commerce associations, groups engaged in scientific research, community care groups, and certain charity groups have been excluded from the “dual registration” system in that they no longer need a “professional supervising unit” before registering at the MCA (ICNL, 2013). These kinds of policy trials are indicative of the step-by-step, experimental reform process in post-1978 China; what Deng Xiaoping allegedly called, “crossing the river by feeling the

stones” (摸着石头过河 *mozhe shitou guo he*). However, overtly politicised CSOs in the critical realm cannot be included in this process, as doing so would be an endorsement of their activities.

Fourthly, the dual registration system gives two chances for CSOs’ registration to be denied; from both the proposed “professional supervising unit” and the MCA.

### **5.3. International Contact and Influence**

As the Chinese civil society sector is relatively young and underdeveloped, International NGOs (INGOs) play key roles in terms of funding, dialogue, strategy, capacity building and training. However, due to the growth of individual wealth in China, the boom in domestic philanthropy and an increasingly restrictive political environment, there is less reliance on foreign sources of funding for domestic NGOs. As Tony Saich notes:

Now the Chinese government has a lot more money, Chinese philanthropists have a lot more money, and so I think it’s not surprising that the Chinese government, once it sets the parameters of what is acceptable to support and what is not, it’s going to trust Chinese organizations far more than foreign organizations.

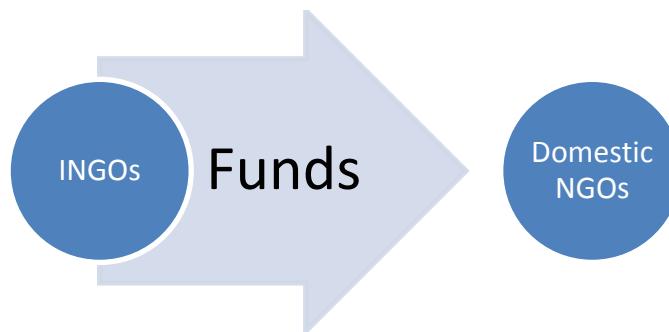
(Bannister & Chen, 2014)

As shown in the previous section, experimental policies have improved non-sensitive domestic NGOs’ ability to register and operate. Recent changes to the regulatory framework show the Chinese state demonstrably supporting local organisations, while at the same time restricting the participation of foreign donors and actors (Hassid & Jeffreys, 2015, p. 82). Although an increase in domestic philanthropic activity is a positive trend, it remains to be seen whether Chinese actors can adequately replace their increasingly sidelined international counterparts.

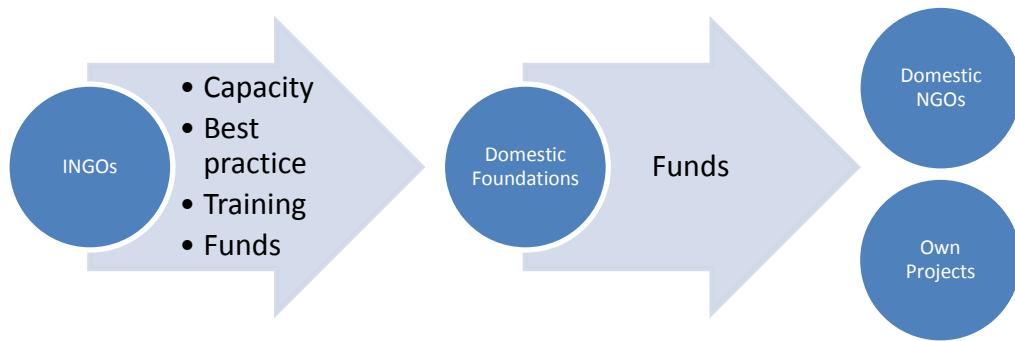
A new Foreign NGO Management Law (境外非政府组织法 *Jingwai Fei Zhengfu Zuzhi Fa*) has been proposed which aims to regulate the activities of foreign NGOs operating in China, protect their legal rights, and promote cooperation and exchange (China Daily, 2014). Although this legislation should have positive effects in terms of clarifying the status of foreign NGOs under Chinese law, draft versions of the bill also contain measures intended to constrain the influence of foreign philanthropy into China. For example, foreign NGOs will have to register with the Ministry of Public Security (MPS), rather than the MCA which has traditionally dealt with them (Denyer, 2015). Organisations wishing to register will also need to find a government sponsorship agency, submit “activity plans” and budgets to the authorities for approval and not endanger national security or go against “China’s social morality” (*Ibid.*). Coupled with the revelations of “Document No. 9” (see Section 3.4.), this proposed new law reframes foreign NGOs and their influence as a security risk and allows for much greater state supervision of their activities. INGOs are thereby increasingly being seen by the Chinese state as embodiments of Western cultural hegemony, attempting to infiltrate and overthrow the CCP via the spread of Western ideas.

There are mixed opinions from experts on the significance of this trend. For the Ford Foundation's John Fitzgerald, the trade off between tightening restrictions on international donors and loosening ones on domestic organisations is worthwhile and enables the growth of an indigenous "organised society" (Fitzgerald, 2012, p. 75). In the current environment, international actors and philanthropists should move beyond the traditional model of international engagement with Chinese civil society (see Figure 4) whereby international donors donate funds to domestic NGOs. Fitzgerald suggests that a more fruitful strategy for international donors would be to engage with Chinese philanthropists and domestic sources of funding, such as foundations, in capacity building, best practice awareness, CSR and training, as well as funding where possible. These domestic sources can then give to grassroots NGOs via grants (although grant-making Chinese foundations are limited in number as shown in Section 4.2.) or fund their own projects (see Figure 5).

**Figure 4: Traditional Model of International Cooperation**



**Figure 5: Proposed Model of International Cooperation**



CDB's Chen Yimei is less optimistic of Chinese actors' ability to fill the gap left behind by a potential tightening of the restrictions on foreign actors in China (Chen, 2015). Chen identifies three areas in which domestic NGOs lag behind INGOs. Firstly, although the philanthropic sector is growing rapidly, funding is still a serious issue. This is especially true at the grassroots level, with most of the wealth concentrated in larger, state-affiliated organisations and not enough capital trickling down. Were foreign funding to be much more strictly regulated, neither the will, nor the institutional structures are yet in place in China to fund these organisations to the same extent. This is especially true of NGOs operating in sensitive areas. Secondly, Chinese NGOs' capacity is around 10-15 years behind international standards and would struggle to bridge the gap if the proposed foreign NGO management law was strictly enforced. Thirdly, Chen sees awareness of global civil society as severely lacking among Chinese NGOs. If foreign funding is cut, INGOs have to scale back their operations, and foreign employees of Chinese NGOs have to leave the country, an even more insular environment would be created.

Even if the Foreign NGO Management Law is passed in its strictest form, it does not necessarily spell the end for INGO engagement in China. In practice, the lines between international and domestic philanthropic actors are considerably more blurred than the traditional dichotomy shown in Figure 4 and laws are not always enforced to the letter. For example, as Wang Zhenyao points out, the Chinese Lao Niu Foundation donates money to the Paulson Institute, a large American foundation, which undertakes environmental programs in China (Skoll World Forum, 2014). Additionally, China-US Strategic Philanthropy (CUSP) has introduced a Social Venture Partner (SVP) model based on an innovation from Silicon valley (*Ibid.*). This type of cross-border philanthropic interaction goes beyond the simplistic conceptions of hostile foreign powers aiming to destabilise the Chinese state and of a monolithic, retrogressive one-party state rejecting any form of civic association for fear of losing power. The CCP is pragmatic, aware that it is unable to fulfil all of China's social needs without the help of CSOs, despite the ideological baggage these organisations carry.

## 5.4. Conclusion

As shown above, an abundance of barriers and lack of incentives stunt the potential of philanthropy in China. Although policy experiments, such as those for CSO registration are a positive step, the Hudson Institute report seems largely accurate in giving China such a low score for philanthropic freedom. Individuals and organisations are not particularly incentivised to give by preferential taxation policies, and the policies that do exist are applied unevenly, leaving many CSOs unable to benefit. Entry and registration remains restrictive while the newer trend of a clampdown on foreign NGOs will leave many domestic CSOs underfunded, with domestic sources of funding unable or unwilling to fill the gap. This is especially true of CSOs working in sensitive or critical areas. However, there is potential for greater cross-border interaction outside of the traditional forms.

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## 6. Individuals

Section 6 examines the importance of individuals in the development of philanthropy to supplement the organisational analysis of Section 4 and the analysis of barriers and incentives in Section 5. Two groups of individuals are identified as especially important in this process: mega-rich entrepreneurs and socially conscious “new philanthropists.”

### 6.1. 1980s-90s: Embarrassing Wealth

The rolling out of the Reform and Opening policy in the 1980s and 1990s and subsequent rapid economic growth brought with it a rise in the number of private entrepreneurs in China. Many of these entrepreneurs were from humble backgrounds but attained levels of wealth that would have previously been unimaginable. Continued national economic growth in the following two decades has laid the foundation for the 400-500 billionaires that China now has, more than any other country (Qian, 2010). The newly rich tend to give charitable donations to address social needs like poverty, education and health but do not generally challenge the status quo in terms of economic and political structures. Just like US and European industrialists 100 years ago, newly rich Chinese give for a variety of reasons: to give back, to help the disadvantaged, for public prestige and social standing, to legitimise their accumulation of wealth, to establish an enduring legacy, to strengthen government ties, and to play a role in shaping their nation’s future (Spero, 2014, p. 1; Grady, 2014, p. 9).

In the early days of Reform and Opening in the ‘80s and ‘90s, the wealth of these newly rich entrepreneurs was somewhat embarrassing given that only a few years before, private wealth was unthinkable under the state-managed economy. Dali Ma and William L. Parish identify the mismatch these early entrepreneurs faced between their often large wealth and comparatively low social status

(Ma & Parish, 2006, p. 948). For this first wave of entrepreneurs, charitable giving was a way of gaining social status and political access as it was often rewarded with seats on honorific government councils. For the state, these monetary payments provided a much-needed source of social revenue. As a whole, this charitable giving helped institutionalise the relationship between government and business in much the same way as US businesses contribute to electoral campaign funding, and in a more stable and legitimate way than corrupt payments (*Ibid.* p. 946). Although this kind of charitable giving is somewhat functionalist and cynical, its benefits cannot be discounted. However, this interaction cannot be considered truly philanthropic due to its ad hoc and unstructured nature, as well as a lack of emphasis on social change.

## 6.2. 2000s onward: Anxious Wealth

Whereas private wealth is no longer an embarrassment, there is still a climate of unease around large personal fortunes, or what anthropologist John Osburg, in his study of *nouveau riche* private entrepreneurs and businessmen in 2000s Chengdu, labelled, “anxious wealth.” (Osburg, 2013). Many of China’s super-rich are discouraged from engaging more deeply in philanthropy through fear of being pushed into the spotlight, attracting envy or the attentions of criminals, and having their motives questioned by the public (Qian, 2010). Wang Zhenyao suggests that high public expectations are also a deterrent to giving as, “no matter how much rich people donate, it is just not enough” (Branigan, 2010). Added to this is the Confucian tradition of supporting one’s family members and community above donating wealth in a philanthropic manner and the impetus given to the state to provide social welfare inherent in both Confucianism and Socialism.

## 6.3. The Influence of International Philanthropy

### 6.3.1. Hong Kong

The influence of international philanthropy on China is not limited to the work of INGOs within the country. Hong Kong’s emergence as a world centre for commerce in the mid-20<sup>th</sup> century brought with it a boom in its number of high net-worth individuals; years before Reform and Opening would give mainland entrepreneurs similar opportunities.<sup>9</sup> Billionaires like Run Run Shaw (邵逸夫 *Shao Yifu*) and Li Ka-shing (李嘉诚 *Li Jiacheng*) have given large proportions of their wealth to charitable causes in both Hong Kong and mainland China. Yu and Norman (2014) see Hong Kong’s philanthropists as entrenched in a, “generous but anonymous culture of giving,” as large donations are often made without much fanfare. However, Shaw and Li as well as others, have helped set an

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<sup>9</sup> Hong Kong was under British colonial rule until 1997, when it was returned to China. However, under the “One Country, Two Systems” policy, Hong Kong retains its own political, legal and economic structures that are separate from those of the mainland.

example to mainland Chinese mega-rich of a workable form of philanthropy informed by both Western and Chinese traditions.

Hong Kong's philanthropists are influenced by Confucian notions of giving, without the same restrictiveness that these notions have in a mainland context. Additionally, the legacy of Christianity in Hong Kong left behind by over 100 years of British rule informs attitudes to giving. This cultural context, seen with the territory's economic development and less restrictive political situation helps explain why there are so many NGOs in Hong Kong (7,200), why more than two thirds of residents donated to charitable causes in 2010-11, and why donations topped 1.2 billion USD in the same time period (*Ibid.*). This shows that philanthropy is not limited to the mega-rich in Hong Kong, but is a more widely accepted concept in society. Additionally, it disproves the claim that philanthropy is inherently inapplicable to a culturally Chinese context.

### **6.3.2. The USA**

A number of high-profile American philanthropists have attempted to spread their ideas and giving practices among China's mega-rich; most notably Bill Gates and Warren Buffett. Gates and Buffett have extended their "Giving Pledge" campaign, which encourages the world's wealthiest people to donate most of their wealth to philanthropic causes, to China. Gates, speaking in 2014, asserted that Chinese philanthropy had not yet grown to sufficient levels:

When you have something like a disaster (in China) you see the basic generosity, but if you look at systemic things like giving to health causes, giving to universities to do research, giving to handicapped people, it's not there yet.  
 (Armstrong & Toh, 2014)

Gates and Buffett have not had total success with the Giving Pledge campaign; several Chinese billionaires snubbed a dinner invitation in 2010 ostensibly for fear of being pressured to make contributions (Branigan, 2010). Others, such as the outspoken self-publicist Chen Guangbiao, have joined the campaign. Chen stated that Gates had inspired him to leave his fortune to charity when he dies (*Ibid.*). US-style philanthropy is not directly transferrable to other countries, but should instead be translated into other cultural, social and political contexts. However, the popularity of American entrepreneurs such as Gates and the late Steve Jobs of Apple within China could lead to a growth in philanthropy if such entrepreneurs are willing to speak about and practice it.

## **6.4. Civil Society Awareness, New Media and "New Philanthropy"**

However, there are individuals beginning to give larger donations and engage with philanthropy in a more thoughtful, meaningful way. Chen Yimei identifies two separate groups of wealthy philanthropists in China; the majority are self-made entrepreneurs, often with a lower educational

background and a strong will, who want to either give back to the communities from which they came or use giving as a tool to gain status (Chen, 2015). The second group is considerably smaller, consisting of highly educated individuals, many of whom hold government positions, and have a sense of civil society; either expressed clearly or demonstrated in their philanthropy (*Ibid.*). These philanthropists are more in tune to global philanthropic practices and fit more closely into the model of the “new philanthropist.” New philanthropists are not necessarily extremely wealthy and make use of new media to expose the younger generation to social causes, are often disillusioned with the for-profit sector in the aftermath of the 2008 global financial crisis and the wealth discrepancies it contributed to, and are focused on “giving whilst living” as opposed to when dead (Bannister, 2015).

Additionally, through the use of new media and new forms of fundraising, such as crowd-sourcing, new philanthropists are able to bypass traditional philanthropic structures. As shown in Sections 4.1. and 5.2., the registration and operation of grassroots NGOs is a heavily restricted and drawn-out process. Private foundations require two million RMB of seed capital to register (Huang, 2014), meaning that only wealthy individuals or companies can realistically start them. Public foundations which can fundraise publicly are generally state-owned or affiliated,<sup>10</sup> thereby granting the state an effective monopoly on public fundraising. Therefore, new media and new forms of philanthropy have a democratising effect; allowing socially conscious individuals that may not be affiliated to the state, prodigiously wealthy, or willing to start an NGO, to spread awareness and raise money for their causes.

#### **6.4.1. Case Study 3: Deng Fei and the “Free Lunch” Campaign**

One such socially conscious individual is Deng Fei (邓飞). While working as an investigative reporter for Phoenix magazine in Hong Kong, Deng reported on what he calls, “the secret dark side of China,” including such controversial topics as child trafficking, organ harvesting from victims of the death penalty and substandard school construction (Ford, 2012). In addition to this reporting, Deng started a campaign to prevent child trafficking in 2010 and by 2011 had amassed 1.4 million followers on Sina Weibo (新浪微博 *Xinlang Weibo*), China’s Twitter-like micro-blogging service (Lim, 2012).<sup>11</sup> In that year, inspired into action by the realisation that many children in rural areas attended schools that did not have canteens and therefore went hungry, Deng quit journalism to start the “Free Lunch for Children” (免费午餐 *Mianfei Wucan*) campaign (Ford, 2012).

Deng began by soliciting individual donations of 3 RMB from his Weibo followers, the equivalent of one lunch for one poverty-stricken rural child (Lim, 2012). These micro-donations can be made

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<sup>10</sup> With the notable exception of the One Foundation (see Section 4.3.1.).

<sup>11</sup> As of May 15<sup>th</sup> 2015, Deng had amassed 5,163,652 followers on his Sina Weibo page at <http://weibo.com/u/1642326133>

quickly and easily through online shopping sites such as Taobao, Sina Weibo's public welfare platform and online payment systems such as Alipay. The campaign caught on quickly, raising 30 million RMB and providing free lunches to children in over 160 rural schools within its first year of operation (Wang, 2012). Additionally, Deng's campaign raised awareness and stirred the state into action on the issue of childhood nutrition; seven months after the launch of Free Lunch, the government announced a forthcoming 16 million RMB investment into a similar programme (Ibid.).

As shown in Section 4.3., 2011 was a difficult year for philanthropy in China following the China Red Cross and Soong Ching Ling Foundation scandals. Therefore Deng placed a lot of emphasis on transparency and trust when launching his Free Lunch campaign. His background as a well-known investigative reporter meant that public trust in him to expose the truth was already high. In addition to this, each participating school must post their accounting to Sina Weibo and any financial misreporting results in that school losing their funding (Wang, 2012). Deng's Weibo followers are also encouraged to closely monitor the accounting records posted online and to visit the participating schools (Ibid.). The Free Lunch campaign thereby provide an example of how social media can help philanthropists sidestep the lengthy bureaucratic process inherent in the work of Chinese NGOs and give evidence of transparency to the public. Social media is a two-way communication process that allows donors to feel more involved and exposes a younger generation to social causes.

The openness, transparency, efficiency and success of Deng Fei's Free Lunch campaigns stands in contrast to some of the more conventional forms of public welfare work conducted by NGOs. As has been mentioned previously, NGOs in China are often marginalised from the state. However they are often also marginalised from foundations which can provide them with funding and from society in general. An Zhu, founder of the NGO, "One Kilogram More," sees this marginalisation from society as NGOs' "own choice, stemming from their own arrogance, unresponsiveness and narcissism." (Liu, 2011). Without suggesting that the rise of the individual microblogger makes NGOs redundant, there are lessons to be learned for the entire civil society and philanthropy sectors from the successes of Deng Fei, as well as those of Wang Keqin and Yu Jianrong.<sup>12</sup>

Deng Fei is somewhat of an "embedded activist" in that the aims of his organisation closely ally with those of the state and he has been willing to work with state and state-affiliated actors to develop the campaign. For example, the Free Lunch campaign is now affiliated with the China Social Welfare Foundation (CSWF) (中国社会福利基金会 *Zhongguo Shehui Fuli Jijinhui*), a public foundation and GONGO that is able to accept public donations (CFC, 2015). Free Lunch is based in the non-critical realm but addresses an area that both the state and existing philanthropy were not paying sufficient attention to prior to Deng's intervention. Therefore, both the rise of the charismatic individual and the

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<sup>12</sup> Wang Keqin and Yu Jianrong are also microblogger philanthropists who have led successful campaigns for helping the victims of lung disease from dust inhalation (Wang) and child abductions (Yu) respectively (Liu, 2011).

pervasiveness of social media can have a transformative effect in raising public awareness of causes, but this alone is not enough. These individuals must work with state and civil society actors, as Deng has, to make a larger contribution to social change.

## 6.5. Conclusion

Individuals have a vital role to play in the future development of Chinese philanthropy. This section identifies two strands of individuals who can make a contribution to this development. The first is China's mega-rich, who are growing in number, donating more money and increasingly being influenced by international philanthropy. Unlike in the 1980s and 1990s, this group is not simply giving on an ad-hoc basis to gain political office or prestige, but beginning to give in a more structured, organised way with the aim of safeguarding a legacy and contributing to social change. As these individuals are success stories of the current Chinese system and often members of it (体制内 *tizhi nei*), this social change will not be critical and challenging of the status quo but has the potential to improve the system as a whole.

The second group of individuals who have made, and can continue to make, a contribution to the development of philanthropy are “new philanthropists,” journalists, and social media stars. Compared to NGOs, these individuals are less marginalised from both society and sources of funding, and do not suffer from the same trust deficit as large state-backed GONGOs. These individuals can provide a more trustworthy “face” for the campaigns of more established organisations or first start their own initiatives before later enlisting the help of NGOs and GONGOs, as in the case of Deng Fei’s Free Lunch programme. Although this second group often share similar goals to the state, they are seen to pose more of a threat to stability than the first group due to their ability to communicate to large numbers of people and their professional backgrounds outside of the system (体制外 *tizhi wai*). Their ability to organise and communicate has been constrained since the so-called “Big V” crackdown of 2013,<sup>13</sup> and the waning popularity of Weibo compared to the mobile application, Wechat (微信 *Weixin*).

## 7. Conclusion

The aim of this thesis was to answer the research question: “*why has China’s philanthropy not kept pace with its economic development and how can it catch up?*” This conclusion therefore is split into

<sup>13</sup> In 2013 China issued guidelines on the spreading of online rumours and slander which specifically targeted “Big Vs” – verified accounts and influential voices on Weibo. Under the new guidelines, a slanderous message shared more than 500 times can lead to a three year prison sentence. This campaign has had a cooling effect on Weibo’s effectiveness as a tool for sharing and drawing attention to social problems (Buckley, 2013).

two parts: the first identifying the key reasons for philanthropy's restricted development in China and the second making practical suggestions for the future development of the sector.

## **7.1. Why has China's philanthropy not kept pace with its economic development?**

It should not be forgotten that philanthropy is a relatively new concept in China and has already developed rapidly in recent years. Wealthy Chinese have given to charitable causes since the 1980s and the Chinese state has now recognised the importance of philanthropy. The state has given up its monopoly on fundraising and moved towards a separation of government and society with society governing itself. Philanthropy is being actively promoted and CSOs that do not, or are perceived not to, threaten the state are given preferential policies. Individuals in society are becoming more engaged with social issues, in part thanks to new technology. Therefore there is the potential for future growth of the philanthropic sector in the future.

However, this opening up of certain areas has been accompanied by a simultaneous process of closing down of others. The state remains wary of philanthropy's development into broad social movements and of its ability to fund and promote the critical realm. The definition of what is critical is also becoming wider to include international contact, gender issues, and religion, leading to a wider chilling effect. Although benevolence and giving are key concepts of traditional Chinese culture, this has not translated into widespread engagement with philanthropy. Barriers to both organisations and individuals engaging in philanthropy remain relatively high and incentives relatively low.

Therefore structured, formalised philanthropy that contributes to social change has been hamstrung by excessive regulation in China. The civil society that exists conforms to the Gramscian hegemonic model in reflecting the domestic status quo more than it does the norms and values of global civil society; a situation unlikely to change in the near future given the crackdown on foreign NGOs. Social change *will* come from the forms of philanthropy discussed in this thesis, but as the dynamics of this change are embedded in the system, we should not expect "multitudes of citizens taking to the streets" (Ho, 2008, p. 2). Rather recent developments show a "philanthropy with Chinese characteristics" that could contribute to a more pluralistic and democratic China within the boundaries set by the state.

## **7.2. What can be done?**

The aim of this section is to give practical, workable solutions to actors in the sector to address the lack of philanthropy in China based around two key phrases, "connectivity" and "accountability and trust."

### **7.2.1. Connectivity**

This study has shown that there is a vast range of actors involved in the philanthropic sector in China, including: INGOs, state actors (MCA and MPS), grassroots NGOs, private foundations, public foundations (GONGOs and NGOs), the super-rich (Chinese and foreign), new philanthropists, and the general public. Often these organisations and individuals have similar goals and would benefit from working together but have difficulty doing so. Therefore, this study recommends greater connectivity between different actors in the philanthropic sector.

One way in which this connectivity is achievable is through a rise in the number of grant-making foundations. Less than 100 such foundations currently exist due to a lack of awareness of grassroots NGOs' work, a lack of trust in grassroots NGOs and comparatively low skill levels. To improve these areas there therefore needs to be more dialogue between grassroots NGOs and foundations, as well as more preferential policies to attract skilled workers to NGOs. The Narada Foundation is already making grants to grassroots NGOs and can stand as an example to other private foundations; helping link what are often underfunded and marginalised organisations that do important work with sources of capital to carry out their projects.

A second way to increase connectivity is the utilisation of social media. Social media can connect the general public to social causes, as in the case of Deng Fei's Free Lunch programme where millions of people donated to and engaged with the campaign. Social media engages young people who may not otherwise have been exposed to social causes. Additionally, social media has a democratising effect on philanthropy in giving a platform for non-millionaire philanthropists to share and promote their causes.

The third way of achieving greater connectivity is through new forms of engagement with international actors. As the situation for foreign NGOs working in China becomes more restricted; more dialogue and exchange needs to occur between Chinese and international NGOs to allow Chinese NGOs to fill the gap. Foreign engagement with grassroots Chinese NGOs should continue, as well as better engagement with domestic foundations. Innovations like the CFC's foundation transparency index and CUSP's SVP model can show the way for a new kind of cross-border engagement.

### **7.2.2. Accountability and Trust**

In addition to greater connectivity between the various actors in the philanthropic sector outlined above, there needs to be greater accountability and trust between them. Perhaps the most important form of this is public trust of CSOs in general, which can be fostered through greater accountability.

One way in which CSOs can increase their accountability is through the use of social media. Social media allows for instant publication of data which reaches a wide audience, as in the accounting

posted online by schools involved in the Free Lunch campaign. In contrast, the Guo Meimei scandal of 2011 is a salutary lesson of the power of social media to affect a CSO in a negative way. The China Red Cross suffered almost irreparable damage to its reputation and a steep drop in donations in the wake of the scandal.

Another way to foster trust from the public for the philanthropic sector in general is through the adoption of best practices from other countries with more developed civil societies. The CFC's foundation transparency index which is based on the US Foundation Center's own transparency index is a good example of this.

A third way to foster trust is greater dialogue and understanding between the various philanthropic actors. Events such as the CUSP Workshop and the China Philanthropy Forum (CPF) can help Chinese foundations and wealthy individuals gain the understanding and trust of INGOs and vice versa. Events like the China Private Foundation Forum (CPFF) are especially useful in that they allow grassroots NGOs to meet and communicate with foundations on an equal setting, helping build relationships and foster trust (Burton, 2014).

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