



China-US Strategic Philanthropy Workshop II

August 30-31, 2012
Beijing, China
Summary Notes

The second annual China-US Strategic Philanthropy (CUSP) Workshop was hosted by CUSP China Secretary-General, Dr. Wang Zhenyao, and the China Philanthropy Research Institute at Beijing Normal University, from August 30-31, 2012. Twenty-four participants from the US and thirty-eight from China attended this workshop. Chinese participants represented the summit of the philanthropic sector in China, including public and private foundations, research institutes, nonprofit support organizations, social investment funds, corporate CSR divisions, and the China branches of international foundations. US participants included representatives from private and family foundations, community foundations, global giving circles, social investors, nonprofit consulting companies, donor advisory groups and other experts on philanthropy.

The first CUSP workshop (conducted at the East-West Center, Hawaii in August 2011) resulted in the launch of the CUSP platform, appointing Chinese and US secretaries general and secretariats in Honolulu and Beijing. Five working groups were established under the umbrella of the CUSP platform with focus areas on transparency and accountability of the philanthropic sector; nonprofit legal frameworks; nonprofit capacity building; social entrepreneurship and social investment; and capacity building for nonprofit support organizations.

The objectives of the second annual CUSP workshop were to:

- **Uncover major issues and needs from the Chinese perspective;**
- **Share useful philanthropic experience in the US;**
- **Provide networking opportunities to help identify useful partnerships and next steps;**
- **Achieve consensus on future CUSP activities.**

Key findings from the workshop

1. **Chinese society is at a critical transition point, and philanthropy has a unique and vital role to play in the creation, accumulation and sharing of social wealth. Leading Chinese philanthropists believe that wealthy people should take the initiative in giving back to society, as well as in educating both the government and public, reinforcing the concept of mutual kindness. They also note that at this early stage, the success of Chinese philanthropy should be measured not by how much wealth is redistributed to the needy, but rather by the establishment of clear “rules of the game.”**

Chinese participants reviewed the roots of philanthropy in Chinese traditional ideology and the widespread belief that mankind can only achieve true happiness through benevolence. However, many who became wealthy during the recent economic reform period failed to contribute enough to the goal of “getting wealthy together.” Now China has entered an era of social reform, which requires modernization of the theories, methods and models of traditional philanthropy. The expanding community of Chinese philanthropists is eager to learn from the US. They and their American counterparts agree that a healthy US-China partnership between our philanthropic sectors is also helpful for US-China relations and the entire world.

- 2. The rapid growth of private foundations in China means that most are young and inexperienced. Founders and Chief Executives from several of China’s leading private family and corporate foundations reported that the biggest challenges they face include governance, how to increase the value of foundation assets, how to resolve the current obstacles in China’s complex and burdensome tax framework, and how to recruit and retain staff experienced in both the non-profit and for-profit worlds.**

Today, most private foundations in China are focused on profound social problems such as education, health and care for the elderly. At the same time, many of them recognize the need to strengthen communication with policy-makers on key issues that currently restrict development of the philanthropic sector.

Chinese participants raised questions about the governance of private foundations, such as how much the founding family members should be involved in their foundation’s operations. A participant from one of China’s largest corporate foundations commented that there is no real corporate foundation in China because none is truly independent of the corporation. The board members are usually the founders of the company, and often have no experience with philanthropy or civil society. The lack of talented staff with knowledge and experience in the nonprofit sector was also recognized as one of the key obstacles for private foundations. Finally, a complicated tax system and under-developed legal framework make it very difficult for private foundations to increase, or even maintain the value of their assets, and this threatens the sustainability of foundations.

US participants commented that China’s experience is similar to that of the US just a few decades ago, and foundations in the US continue to face some of these challenges today. Participants from US family foundations noted that no two families are the same, and the important thing is to ensure that the next generation of family leaders understands the foundation’s operating principles and core values. There are many different models and solutions regarding the involvement of family members: options include rotation systems and designated funds; identifying the best use of time is as important as finding the best uses for family resources. In the case of corporate foundations, they noted that it’s hard to define the boundary between alignment of interest and conflict of interest. The common concern across different types of foundations is attracting top talent and retaining them in the philanthropic sector.

They noted that 80% of US foundations have no paid staff. This is an area where Community Foundations can help by providing guidance and administrative support for small and medium-sized foundations, which is both efficient and cost-effective.

US participants further pointed out that there is growing mix of experience between the nonprofit and for-profit sectors, as a large number of talented people who have tired of the for-profit world have shifted to the philanthropic sector. Also noticeable is the awareness and passion of the younger generation. In the US:

- 81% of “Generation Y” workers said they would leave their place of employment if they disagreed with their employer’s philanthropic work.
- High school students are urged to get involved in community service, a practice that helps familiarize them with the philanthropic sector at an early age. (Admissions officials at top colleges and universities tend to look beyond academic achievement for a record of public service.)

- 3. Experienced international foundation representatives in China emphasized the importance of openness, trust and respect when working with local partners. This includes looking creatively at Chinese activities and building on them; a constant process of experimentation with new ideas and innovative techniques; a commitment to persevere, especially during hard times; and constant efforts to cultivate the trust of the media and of the younger generation.**

The rapid growth of philanthropy in China supported by local resources and talent is an encouraging development. At the same time, some US participants suggested that new foreign organizations and initiatives need to be mindful of factors underlying Chinese policy that might impact their operations. International foundations commented that although Chinese authorities seem to welcome private donors, they are tightening restrictions on the areas in which they can work. There are enormous opportunities, but international foundations need to be mindful of the fact that they are guests of the Chinese government and people.

- 4. In the US today, living donors are matching the scale and scope of longtime philanthropic institutions. Shaped by their private sector experiences, they tend to be strategic and engaged, bold and audacious. They look at problems as systems, just as an engineer might. Strategic philanthropists are not trying to replace government or the market; they understand that complex problems demand complex solutions, and there are no “silver bullets”, but that partnerships, trust and broad collaboration are important to achieving progress.**

US participants noted that the two candidates currently vying for the US presidency have put forth two very different visions of the role of government. The notion of the social contract has been under debate for the past 20 years, and has led to the growth of the philanthropic sector. To build the trust and impact that any effective social contract needs, it is necessary to capture the transparency of the government, the efficiency of the private sector, and the flexibility of the nonprofit sector.

- 5. The majority of participants agreed that the collection and sharing of information should be one of the main functions of CUSP. There is a great need to improve the flow of information between the two countries, as well as within the rapidly growing and information-hungry philanthropic sector in China. CUSP also needs to engage more high-level advocates from the US and China. Recommendations for key activities include continuing to hold an annual workshop, creating more opportunities for research and in-depth exchanges, as well as for internships and training for board members and donors, non-profit leaders and social entrepreneurs. Each CUSP working group should identify and communicate a clear, collaborative objective to achieve over the next year.**

Participants agreed that CUSP should continue to serve as a partner in the effort to track philanthropic activities in China and the US beyond what CUSP itself is doing. Each working group should consider how it can move its focus area forward, or if it should shift to another focus. All working groups should support the CUSP platform through the regular sharing of information.

Some participants suggested that the annual workshop should have a specific theme, rather than being too broad and general. Others countered that it's difficult to accommodate such a big crowd with diverse interests. Consensus was that CUSP should continue to hold an annual workshop focused on the big picture in China and the US, and plan to hold smaller scale, issue-focused sub-meetings as needed.

- 6. Participants from both countries pointed out that successful working group activities require committed group leaders and coordinators who have deep knowledge and networks in the field. Funding for platform staff members and basic activities is crucial if progress is to be made.**

Participants debated whether five working groups are too many. The majority of the participants agreed that the focus areas and duration of the working groups should be constantly re-evaluated. Several participants suggested that CUSP should do more marketing and promotional activities to increase support for both CUSP and the philanthropic field in China more generally.

Both China and US participants felt strongly that a high level advisory council comprised of people who understand both countries and have a record of philanthropy is necessary to bring CUSP to the next level and assist with the urgent need to move the philanthropic sector forward.

- 7. Social innovation is a topic on everyone's lips in China and the US, from the public sector to the third (nonprofit) sector. Participants were impressed by findings from the latest research by Stanford University's Philanthropy and Civil Society Center presented in a report called "Social innovation is not the Holy Grail." Innovation is best approached as a process rather than an outcome. It is important to reflect on differences in the innovation process, and the influencing factors and outcomes across cultures and geographies.**

Chinese participants from university institutes pointed out that research on social innovation in China started in 2005. The Chinese government prefers to use expressions such as “social administrative innovation”, and “social innovation centers” for the pilot efforts that have been launched by local authorities such as Guangdong Province.

Although many new concepts such as “impact investment” and “patient capital” have been imported into China and have captured lots of attention, governments, as well as most nonprofit organizations, are still doing things the old way. Both American and Chinese participants expressed concerns about being too simplistic when it comes to innovation. Both sides agreed that new research is needed to capture insights from both successful and unsuccessful efforts, and that it is wise to be aware that pushing innovation too hard can stifle progress as much as it can enable it.

- 8. Social entrepreneurs continue to be an important driving force for social innovation in the US. In China, more resources, in particular “patient capital,” are now available to support social enterprises in their early stages. While the language of social enterprise is not always consistent between the two countries, social entrepreneurs and their supporters at the workshop agreed that they share the same values and mind sets, and CUSP is a useful platform for facilitating exchanges and collaboration among all the players.**

US and China participants from social enterprises and social investment funds identified considerable common ground at the workshop. Both sides agreed that impact should be the only bottom line to measure the performance of a social enterprise, and “nonprofit” should be interpreted as a tax status, not a business model. Successful social entrepreneurs in both countries share the same characteristics: moving fast, and being bold and open. At the same time, investors and supporters of social enterprises understand that change won’t happen overnight, that’s why patient capital and building trust are crucial to bringing social enterprise to the next level.

Chinese and US members of the CUSP working group on social enterprise and social investment shared lessons learned from their visits to the US and China. Chinese participants pointed out that although both Americans and Chinese use “under-developed” to describe the status of social investment in their own countries, they are actually referring to two very different levels. CUSP should continue to be a platform for facilitating exchanges and collaboration among the players.

Conclusion and next steps

Participants from both sides commented that the workshop was timely, informative and successful. There were more in-depth discussions compared to last year’s workshop. US participants at Workshop II were not just the usual “China experts and friends”, but included thinkers and doers from the frontiers of the philanthropic community. Having participation of so many of China’s leading philanthropists and experts helped US

participants understand the trends and greatest needs in China, and increased the desire for further collaboration.

Participants agreed that the CUSP platform needs to be clear about its goals; in particular what can we accomplish together that we cannot do alone? The wrap-up session laid out the following next steps:

- 1. Organize CUSP Workshop III in Hawaii, September 14-18, 2013, and plan for CUSP Workshop IV to be held in China (outside Beijing) in 2014.**
- 2. Establish a high level China-US Philanthropy Advisory Council.**
- 3. Strengthen the information sharing function of CUSP: identify what is most important and needed and how to share that information effectively.** Specific suggestions include: translating articles/cases studies that are available from member organizations such as the Stanford Social Innovation Review; publishing reports and lessons from exchange study tours; gathering case studies from around China, and communicating primarily via regular updates in both Chinese and English.
- 4. Identify, secure and allocate resources for staffing the platform and basic activities.**
- 5. Support in-depth exchanges among members such as a social entrepreneur GAP year internship, and training courses for foundation board members and executive staff.**

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