

China-US Strategic Philanthropy Workshop I

Aug.14-18, 2011

East-West Center, Honolulu, Hawaii

SUMMARY NOTES

The first China-US Strategic Philanthropy Workshop was held at the East-West Center in Honolulu, Hawaii, from Aug 14-18, 2011. Fourteen participants from China and sixteen from the US attended this workshop. The Chinese representatives from public and private foundations, research institutes, nonprofit support organizations and social investment funds, represent the summit of the philanthropic sector in China. US participants included representatives from private and family foundations with special interests in China, community foundations, nonprofit consulting companies, donor advisory groups and experts on China-US philanthropy exchanges.

With increasing activities and interest in China-US exchanges in the philanthropic arena in recent years, the workshop was regarded by participants as an historic event, especially given the timing, level of participation, depth of discussion and the action plan developed at the end of the workshop. The US participants were surprised by the rapid development of the philanthropic sector in China over the past two years. Nonetheless, Chinese participants confirmed the need to learn from the US model, and the benefits from collaboration that would enhance the capacity of the nonprofit sector in China. Both sides agreed that while the focus of US-China exchange and collaboration at present and in the near future is still very much China-driven, the resources needed to support such initiatives will have to come from both sides. With the rapid growth of the philanthropic sector in China, the focus will eventually go beyond bi-lateral relations: together, China and the US can play a greater role in promoting positive social change globally.

Key findings from the workshop

1. Philanthropy has been growing astronomically in China since 2008. Significant changes are happening in the US as well, led by the advent of new forms of philanthropy in which donors are becoming more engaged. However, philanthropy is not having the desired impact in either country for different reasons.

Dynamic economic growth and the increasing wealth disparity gap have stimulated the rapid growth of the philanthropic sector in China: charitable giving nationally rose from RMB ¥37 billion in 2007 to RMB ¥70 billion in 2010. Some 1,141 non-public foundations have been established since the new foundation law was enacted in 2004. In the US, the role of philanthropy is becoming more expansive and is driven increasingly by individuals, many of whom have created great wealth at younger ages than in the past. While trends are diverse, today's philanthropists tend

to be more engaged, hands-on, and businesslike in their orientation, and new market approaches such as venture philanthropy have brought considerable value to the sector.

However, philanthropy is not having the desired impact. One common issue identified by both sides is that social problems are growing more complex and, as a result, demand collective action by a cross-section of stakeholders, rather than isolated efforts by single organizations. In China, all participants agreed that the broken, unbalanced philanthropic chain is the biggest obstacle to efficacy. Resources are flowing into the philanthropic sector rapidly, but without a system to distribute them in an effective way. Many wealthy people want to give but don't know how, or simply find it too much trouble. Within the philanthropic sector, some 10,000 charitable organizations monopolize 90% of China's annual giving; most of this going for construction, such as building schools and hospitals. Donations frequently wind up back in the government sector because nonprofit organizations don't have the capacity to absorb resources. Foundations are growing much faster than nonprofit organizations, and are not providing them with sufficient support. Grassroots organizations are not well-recognized by the public and still rely heavily on grants from overseas. As a result, the direction of philanthropy in China is still in a confused state, with low public understanding, and the sector is highly susceptible to scandals.

2. Foundations in China operate quite differently from foundations in the US. Most Chinese foundations are not grant-making organizations and are not providing enough support to nonprofits, especially ones that are not registered with the Ministry of Civil Affairs. US participants were surprised to learn that money is the least concern of foundations in China.

In China, most public foundations are not grant-making institutions, but are more like big charities with lots of money and staff members. The rise of non-public foundations in China brings new blood to the philanthropic sector. Some suggested that compared to traditional public foundations, non-public foundations generally have better governance and are more motivated to spur innovation. However, most non-public foundations are still operating foundations and are reluctant to support grassroots activities.

At the workshop, all Chinese foundation presenters said that money is the last thing they need right now, which is a big contrast to the situation in the US. Chinese foundation leaders identified their most pressing concerns as human resources, donor understanding to support grassroots organizations, and lack of a supportive legal framework. Chinese foundation leaders are urging the government to lower the amount of minimum spending for charitable purposes that is required each year. By contrast, in the US, foundations face increasing pressure to spend more during difficult economic times.

3. US participants were inspired by the innovative approaches adopted in China to encourage donations from the public and to distribute donations more effectively to grassroots organizations. While more people in China are willing to give, philanthropy in China needs to shift from a rich man's club to civil engagement, and to move beyond mere giving to promoting positive social change.

Chinese participants stressed that assistance with project design and staff professionalization is urgently needed.

US participants commented that the "1RMB, 10RMB" giving project initiated by the China Foundation for Poverty Alleviation in partnership with the Bank of China is a model worth studying. They were also interested in Shanghai's Nonprofit Incubator model, and what new public foundations such as the Shanghai United Foundation are doing to create innovative channels for supporting grassroots organizations more effectively. They cautioned that US foundations, such as Packard, Ford, and the Hawaii Community Foundation, have invested heavily in capacity building, and have discovered it is not a problem to be solved, but an on-going need.

4. The "China Red Cross-Guo Meimei" scandal that occurred in June did severe damage to China's philanthropic sector. Behind the crisis of trust is the urgent need for innovation and reform of the social system. The emerging need for transparency and accountability is a reflection of the rapid growth of and expectations for philanthropic responsibilities in China.

The latest scandals involving the China Red Cross and China Charity Federation are undermining the public's faith and trust in philanthropy, bringing it to new lows. However, some Chinese participants think this could create a good opportunity to reform the philanthropic sector. New regulations on foundations and a charity law are under discussion by the State Council and the Ministry of Civil Affairs. However, large GONGOs are comfortable with the status quo and not eager to see changes. China faces many of the same issues it faced 20 years ago when it started to reform the State Owned Enterprises.

While all agreed that transparency and accountability are a top priority for the philanthropic sector, some Chinese participants worry that there is no practical index to ensure that transparency and accountability for organizations and the sector are at a reasonable level. It's difficult to tell how much transparency is enough to meet public expectations: many Chinese believe that every penny they donate has to be spent directly on people in need.

5. Solving social problems demands the cooperation of governments, business and civil society that goes beyond mere partnership or networks.

Four key elements to ensure collective impact include:

- shared measurement,
- mutually reinforcing activities,
- continuous communication, and
- backbone organizations to bring people together.

Chinese regional governments are becoming more open-minded and positive about support of service-based nonprofit activities. The challenge is for the government to develop a unified understanding of the role of the philanthropic sector.

6. The key lesson for US foundation-supported initiatives in China from past decades is that such efforts have to be China-led, not remote-controlled from distant headquarters. Traditionally US-China initiatives are very much focused on the flow of funds from the US to China. With the dynamic growth of the philanthropic sector in China, the relationship needs to go beyond funding and make training, capacity building and collaboration a higher priority.

Scaled exchanges among philanthropic leaders between the two countries have been increasing since 2008. Initiatives such as the China Foundation Center are a direct outcome of this kind of exchange. Nevertheless, most US workshop participants were surprised to see how much China has improved and changed. Chinese participants confirmed that they still need to learn from the US model to enhance the capacity of the nonprofit sector in China and will benefit from doing so. Models such as intermediary organizations, community foundations, donor advisor groups and social venture funds are of great interest to the Chinese.

7. Both sides agree that while the focus of US-China exchange and collaboration at present and in the near future is still very much China-driven, the resources to support such initiatives will need to come from both sides.

With the rapid growth of the philanthropic sector in China, the focus will eventually go beyond bi-lateral action. Together, China and the US can play a greater role in promoting positive social change globally.

Conclusion and action plan

Participants from both sides commented that the workshop was timely, informative and effective. Hawaii and the East-West Center are ideal places to host such a dialogue. The next workshop can include different participants and focus on specific topics. The Platform also recognizes the importance of supporting direct collaboration between leading organizations on issues of mutual interest. Two levels of resources are needed to support the initiative: resources to support the platform and resources to support programs and collaboration. Resources need to come from both China and the US. The China Foundation for Poverty Alleviation and Sun Culture Foundation are happy to provide resources to support the next workshop, which can be held in China.

Chinese participants put together the following action proposal to address priority issues in the philanthropic sector. The proposal was largely agreed to and echoed by the US participants. CUSP Platform and Working Group Leaders for the first year have been agreed upon as follows:

GOAL: To establish a China-US Philanthropy Exchange Platform in order to promote and facilitate communication, exchange and collaboration between and among the philanthropic sectors of the two countries.

The platform is currently supported by seven backbone organizations. They are:

- Beijing Normal University-One Foundation Philanthropy Research Institute (Dean, WANG Zhenyao)
- The Center for Innovation and Social Responsibility at Tsinghua University (Director, DENG Guosheng)
- Sun Yat Sen University Philanthropy Center (Director, ZHU Jiangang)
- Mercy Corp China (Representative, CHEN Yimei)
- Global Links Initiative (Executive Director, LI Fan)
- China Foundation Center
- East-West Center (Director for Special Projects, Carol FOX / WANG Qinghong)

Platform Leaders

First Secretary General of China: WANG Zhenyao

Deputy Secretary General: GAN Dongyu

First Secretary General of US: Peter GEITHNER

Deputy Secretary General: LI Fan

Working Group Leaders

1 Establish standards of excellence and promote accountability and transparency in the philanthropic sector in China.

China Leader: XU Yongguang

US Leader: Cole WILBUR

2 Build a supportive legal framework.

China Leader: WANG Zhenyao

US Leader: Mark SIDEL

3 Build capacity for the philanthropic sector including human resources, area and issue-focused training.

China Leader: ZHU Jiangang

US Leader: Robert DUNN / Paula JOHNSON

4 Promote social enterprise, social investment and social innovation.

China Leader: DENG Guosheng

US Leader: Nancy CANNON-O'CONNELL

5 Nurture support organizations for donors and nonprofits, such as intermediaries (i.e. United Way, Community Foundations), consulting firms (i.e. FSG), professional donor advisory groups (i.e. RPA), etc.

China Leader: LU Zhao

US Leader: Carol FOX

This is an open platform. Participants are welcome to join the Working Group of their choice, and may also suggest others who wish to volunteer their expertise and assistance. Please contact the leader(s) directly and copy Deputy Secretary Generals GAN Dongyu and FAN Li.