



CUSP Update¹²

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China-US Strategic Philanthropy (CUSP) Annual Workshop IV

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SUMMARY NOTES

An air of optimism and excitement prevailed at the fourth annual CUSP Workshop this August at the elegant new Stanford Center on the campus of Peking University (PKU). The feeling of progress in China's philanthropic sector was palpable as the workshop reviewed changes to the flow of private sector philanthropy and discussed plans to make it easier for private donors, poverty relief workers, and NGOs to operate. Aided by a strong desire among China's leading successful business people to give back, philanthropy in China is poised to gain prominence and contribute to China's re-emergence as a global leader. Joining Chinese philanthropists in their enthusiasm for innovation were American donors and foundation leaders at the workshop who are also eager to collaborate on projects that will benefit citizens of both countries and the world. How is philanthropy changing and what is its potential impact? How can philanthropists collaborate and encourage these changes? These and other questions dominated the agenda at the workshop attended by more than 100 Chinese and American public and private foundation leaders, representatives from research institutes and nonprofits, students of philanthropy, and leaders of donor advisory groups and social entrepreneur funds. The question and answer sessions stimulated particularly informative discussions, and the end of the two-day conference witnessed plans for exchanges and collaboration in multiple areas, as well as enthusiastic support for CUSP to continue to thrive.

How is philanthropy changing?

As the individual speakers and panels made their presentations, four areas of change began to emerge, categorized roughly as: 1) Changes in the Philosophy of Philanthropy, 2) Organizations, 3) The Social Contract, and 4) Technology, which cuts across and supports change in the other three areas.

Philosophy

China's re-emergence as a global leader is helping to revive its tradition of philanthropy, aided by a strong desire among China's successful business leaders to give back.

- New wealth in China is a game changer both domestically and globally. Among the successful business leaders are a growing number of committed private philanthropists with clear values-driven approaches to giving, similar to the emergence of philanthropy in the US 100 years ago.
- As wealth in China transitions from the first to the second generation, there is an emerging need for "moral mentorship" to understand values and personal heritage. The idea of "legacy" is becoming extremely important.

Wealthy people are bringing new passion and innovation to the sector. "Philanthro-capitalism" mirrors the way business operates in the capitalist world.

- Leading Chinese philanthropist LU Dezhi explained his theory of "the spirit of capitalism," in which capitalism works for the good of mankind. Those who benefit from capitalism increasingly see giving back as an integral part of being wealthy. LU said, *I want to speak on behalf of the rich, but work on behalf of the poor.*
- Social venture philanthropy is well-suited to China, and opportunities are expanding in Beijing and beyond.

Organizations

Foundations and other philanthropic infrastructure have multiplied over the past 10 years.

- Philanthropic leaders and practitioners in both China and the US are becoming more professional, as illustrated by the widespread adoption of measurement systems, business practices, and professional strategic development.
- Enhancing professionalism and accountability has become the No. 1 priority for foundations in China, and is an area of great importance in the US as well.
- There are 120,000 private foundations in the US, with the first ones established a century ago. China has 2,627 private foundations, all established in the past decade.
- The public in China is questioning where their donations go and if there is better way to use those donations. Inspired by the index created by the Foundation Center in the US, the China Foundation Center established the first Foundation Transparency Index (FTI) to measure the transparency and accountability of foundations. The disclosure rate of foundations rose from 16% in 2010 to 90% last year.
- Chinese foundation executives with rich business experience are looking for ways to apply market approaches to improve organizational structure as well as to provide better service to donors and the public.
- China's growing philanthropic industry needs to increase the number of professionals who receive decent salaries instead of counting on good will and pro-bono services.
- Today, philanthropists everywhere tend to be more knowledgeable and want to be deeply engaged rather than simply writing a check. They are looking for solutions-based approaches and are impatient with just reacting and tinkering on the edges of today's major

issues; they are willing to make bigger bets and take bolder actions.

- Direct giving by individuals has always been the greatest source of philanthropy, amounting to \$229 billion in the US — 81% of total giving — in 2012. There are many new players, including not only NGOs and government agencies, but also individual citizens, scientists and engineers, multinational corporations, enterprising small businesses, and others eager to get involved in social change.

Social entrepreneurship and impact investing have joined venture philanthropy as different ways to organize financial and human resources for social good.

- There is growing interest in the China market among international impact investors.
- However, most of them are having difficulty finding projects or social enterprises with a large enough scale to invest in.
- Capital, whether grants or small loans, can play an important role in supporting social enterprises and nonprofits in China at this nascent but rapidly growing stage.
- Some investors, researchers and social entrepreneurs, especially in the US, question whether impact investing is really having an impact: is it possible to make a profit and make the world a better place at the same time?

The changing philanthropic environment and government attitudes toward nonprofits in China is requiring foreign foundations operating in China to rethink their roles and strategies.

- With the growing power of domestic philanthropy and new ways of governance in philanthropy, the traditional operating space for foreign foundations in China is shrinking.
- They need to activate their soft power by identifying neglected areas, such as marginalized communities, by spreading best practices, and by helping to shape innovative ideas.

Technology

Technology enables donors to be loyal to a cause, not an organization.

- The recent “Ice Bucket Challenge” was the most mentioned topic at the CUSP workshop this year. The campaign originated in the US in late July and raised over \$40 million within a month. The campaign spread to China just 20 days after the US and quickly raised more than the total amount of donations received for ALS in China during the entire previous year. This money is being used to set up a new foundation to support people with ALS and other diseases in China.
- Digital-age fundraising allows loyalty to a cause, more than an organization.

Social media is changing the way philanthropy is carried out.

- Facebook, Twitter, Weixin (WeChat) and other social media are increasing the scale and impact of crowd funding efforts. Crowd-funding platforms raised \$2.7 billion and successfully funded more than 1 million campaigns globally in 2012, and some forecast an 81% increase in global crowd-funding volumes in 2013.
- China has vast numbers of passionate young people using social media and crowd funding, and huge stores of enthusiasm and energy to address many social challenges at the

grassroots level.

- China also has 600 million netizens (citizens using the internet) and increasing numbers of successful cases of activating digital tools to spread philanthropy, such as the “free lunch initiative.”
- Active participation by the public can transform philanthropy by reducing reliance on government action for disaster relief and other social needs.
- However, these new on-line communities require the invention of a spectrum of rights, new norms for respecting those rights, and new forms of governance to manage digital data for the public good.
- Phenomena such as crowd-sourced funding could hinder the kind of long-term thinking that is needed in order to structure philanthropy so that it has maximum impact.

Social Contract

While overall the laws and regulations governing philanthropy in China are moving in a promising direction, grassroots organizations still struggle for relief from fees and taxes.

- Data from the Ministry of Civil Affairs indicates that 540,000 registered nonprofit organizations added 57 billion RMB to China’s national GDP by the end of 2013. Still, this is less than 1% of China's total GDP, and compares with 10% in the U.S.
- At the same time, total giving by more than 4,000 public and private foundations exceeded 70 billion RMB. A large amount of this funding has flowed back to the government in the form of fees and taxes.
- Government outsourcing of contracts to nonprofits has increased, but these contracts often come with high commission fees; grant-making foundations are still rare in China.
- Continuing to advance the philanthropic infrastructure in China, including issues such as tax reform, will help both operating foundations and grant making foundations with incentives for more effective giving.

The 3rd Plenary Session of the 18th CPC Central Committee restarted social reform in China. The goal of establishing an effective “social governance system” indicated that government, social organizations and citizens are partners and must work together to build a harmonious society.

- The drafting of a new Charity Law will finally be taken up by the People’s Congress Legal Council to facilitate more effective operations by foundations and nonprofit organizations in the social service area.
- In 2012, Shenzhen took the lead in legislative innovation by drafting a local Charity Regulation, which provided a framework for future practice.
- Pilot legislation has since then been drafted and tested at provincial and major city levels, including Beijing and Shaanxi.
- At the same time, central and local governments are increasingly interested in purchasing services provided by nonprofits as a way to support the growth of the sector.

How can the philanthropic sectors in China and the US work together to react to these changes?

Traditional philanthropies need to learn how to work in today's 21st century environment.

- In both China and the US, the new philanthropy is younger and more nimble. There are more wealthy individuals and more vehicles for mobilizing resources, individuals have greater agency, platforms and networks are often more suitable for social change than are large institutions, and technology enables the rapid exchange and development of ideas as well as quick access to financial resources.
- For emerging philanthropy in China this means trying to co-create new approaches with our current partners and with new partners, including the private sector and government.
- Today's challenges cannot be successfully addressed by philanthropy alone, nor by the private sector or government alone. We must find ways to collaborate. This requires building trust and finding a common language to describe our shared goals, along with an understanding of how all parties need to bring their best resources to bear on common challenges.
- We need to rethink the top-down nature of much of traditional philanthropy.
- We need to work toward a type of collaboration where funders, grantees, and beneficiaries are in a more equitable learning and information sharing loop that truly brings the “front line” perspective and voice into the whole philanthropic process.

Work is important at all levels to form partnerships and increase mutual understanding of the challenges and best practices among Chinese and American philanthropists.

- The East-West Philanthropists Summit hosted at the East-West Center in Honolulu this year opened a new arena in strategic China-US cooperation by philanthropic leaders. Chinese philanthropists commented that the US experience can help make their giving more effective. Collaboration means philanthropists from the two countries can identify issues and develop projects that leverage each other's strengths.
- CUSP can serve as a unique platform for knowledge sharing at the working level.

One example of effective collaboration among stakeholders to address a common issue is place-based philanthropy, such as community foundations.

- Community foundations have a long history in the US and a rich database of best practices to share.
- The Chinese government wants to promote the concept of community foundations. There is a big space with a growing middle class in large- and middle-sized cities in China: they don't have strong ties with their communities; they want to give but don't know how.
- Community foundations can bridge the gap and help build lasting relationships between donors and causes.

Chinese philanthropic leaders are eager to learn from and catch up with the US and other countries. At the same time, China has a rich tradition of philanthropy that deserves a close

examination of its own ways of giving. It's time for Chinese philanthropists to step up and contribute to the global community.

- Chinese participants pointed out several areas where they wish to learn and benefit from the US experience: law and taxation for nonprofits, community foundations and new models of social investment such as social impact bonds and impact measurement.
- Chinese participants also commented on the noticeable gap in mindset between philanthropic leaders and practitioners in the two countries: while Americans talk about models, standards, and tools to make the sector more professional, Chinese are still focusing largely on the lack of talented people and reliable nonprofit organizations.
- At the same time, Chinese philanthropists are learning how to collaborate on global issues.
- Pioneers such as the Lao Niu Foundation and the Huamin Charity Foundation have launched scholarship programs in the US and Canada.

Philanthropy has the power to improve China-US understanding.

- The wisest donors and practitioners from the two countries need to build strategic relationships beyond just the exchange of information.
- Despite the major differences between the two countries that have resulted in different development models, we can find common values through philanthropy.
- By highlighting the successes and innovations in the philanthropic arena, we can work to increase public understanding.
- Just four years old, the CUSP platform has brought together leading philanthropists and practitioners from the two countries and increased high-level discussions on how to improve the philanthropic infrastructure. We are expecting more exchange and collaboration in the coming year including:
 - o expansion of Social Venture Partners (SVP) to its second chapter city in China;
 - o Rockefeller Philanthropy Advisors (RPA) to help with the Lao Niu Foundation's strategic planning
 - o study tour and internship opportunities at the Hawaii Community Foundation and East-West Center
 - o a proposal to hold the fifth annual CUSP Workshop at the East-West Center in Honolulu, Hawaii on August 27-28, 2015.

The fourth CUSP workshop was jointly hosted by the China Philanthropy Research Institute (CPRI), the East-West Center (EWC), and the Stanford Center on Philanthropy and Civil Society (PACS). Several donors also contributed to making this workshop possible:

- Feng Zhe, Founder & President of the Beijing Sihai Confucius Academy
- Rockefeller Philanthropy Advisors
- Selig Sacks, Co-Chair of the US/Greater China Law Firm, Foley & Lardner.

CUSP is an inclusive partnership of more than 45 organizations working with philanthropy in the US and/or China. The US CUSP Secretariat is based at the East-West Center in Honolulu and the China CUSP Secretariat is based at the China Philanthropy Research Institute in Beijing. The CUSP Mission is to promote communication, exchange and collaboration between the philanthropic sectors of China and the US in order to ensure the best use of resources and maximize the benefits to society as a whole. This CUSP Update is published by the CUSP Secretariat and sent to all CUSP participants and others who express an interest in it. The schedule is determined by when there is news to share. Your suggestions and comments are welcome any time. CUSPpartnership@gmail.com