



# Observations from Asia: CHINA

**Usha Menon**, a nonprofit management consultant, explores the emerging philanthropy and civic engagement sectors within China.

**N**ot to know and know that you don't know, that is to know – Chinese proverb: I love the work I do as it's a continuous process of studying, sharing and working towards strengthening the social impact sector, its organisations and its leadership across Asia.

Here are some of my recent observations and learnings about the fundraising and philanthropy scene in China.

## CREATING AN ECOSYSTEM

China's first charity law became effective in September 2016 and the Foreign NGO Management Law took effect in January 2017. Both laws are efforts by the Chinese government to strengthen regulations for the emerging fields of philanthropy and civic engagement.

Currently there are more than 511,000 legitimately registered social organisations in China. These include social associations, civil non-enterprise entities and foundations. Many of the social organisations are set up

or sponsored by government. Foundations can either be public fundraising foundations or non-public fundraising foundations, both of which generally combine a blend of grant-making and operating programs.

Efforts are being made by Chinese social organisations, the Ministry of Civil Affairs and foundations to professionalise the governance and management of social organisations and develop the space as a sector, while also establishing fundraising and nonprofit management as professional areas to strengthen the sector. Hence Chinese philanthropists, social organisations and the government sector are keenly studying Asian models, norms and examples.

One area of exploration is Singapore's experience in creating an Asian method of philanthropy. This includes understanding models such as SymAsia Foundation, the Singapore registered wholly owned subsidiary of Credit Suisse that assists clients in setting up foundations that meet their Asian family philanthropic objectives.

Chinese social organisations, corporate leaders and philanthropists are also exploring platforms like the Asia Philanthropic Circle, which is a collaboration between progressive philanthropists who envision building an Asian brand of philanthropy.

*To know the road ahead, ask those coming back* – Chinese proverb: While these efforts are being made, there are also areas that need to be fine-tuned and reviewed, including the need to integrate efforts by the Ministry of Civil Affairs with the Tax Bureau related to tax benefits and exemptions for donors and social associations, to review the 10% cap on management costs and to clearly define what such costs can entail.

## FUNDRAISING TRENDS

The China Charity Information Centre reports that in China the corporate sector contributed over 70% of the US\$16 billion donated in 2015, followed by 16% from individual contributions and 13% from other sources like foundations.

However, one of the more exciting areas in

fundraising that has seen tremendous growth is online giving across China. There are only 13 platforms with approval to mobilise online donations and many of them are not active. However, platforms by ecommerce companies like Alibaba, Ant Finance's AntLove, Tencent's Gongyi and Sina Gongyi are highly active and are leading the public fundraising trend.

For example, Shenzhen registered One Foundation, with charity organisation status and hence the permission to raise unrestricted public funds, and has benefited tremendously from the growth of online giving. In 2016, One Foundation mobilised 12.4 million donors of whom 630,000 are monthly donors. Sixty nine percent of the donors used the online channel to make their contribution.

The corporate sector is currently the leading force in public undesignated fundraising in China. Giving Day China 2016, which was championed by Tencent on its platform, raised US\$44.22 million, which included individual giving and corporate matching. Forty percent of the Tencent platform donors are high-school students making gifts of an average US\$1.45. The general profile of the online donor in China is 20 to 30 years old, hence there is a clear trend in the rise of individual giving used in the online giving platforms in China.

Civil organisations and their leaders will

have to learn to build relationships with their supporters and morph quickly from the current transactional engagements and dependence on ecommerce platforms to embarking on a journey with their donors and supporters towards a long-term and growing commitment.

#### DEVELOPMENTS IN PHILANTHROPY

The value of philanthropy has been rooted in Chinese culture for thousands of years. Before the ninth century, charitable activities were largely religion based and managed by temples or ancestral shrines, some of which functioned much like the social organisations we know today.

In the recent past, former Premier of the Republic of China, Xiong Xiling (1870–1937), pioneered China's modern philanthropy by helping to establish educational and human service institutions. China now has 4,211 private foundations, more than double the number it had five years ago, according to the United Nations Development Program. Several successful entrepreneurs such as Jack Ma and Zhang Xin have made strong commitments in philanthropy.

However, the lack of infrastructure, a proper legal framework and a clearly defined set of technical and ethical standards to ensure that donations go to good use has resulted in Chinese philanthropists adopting a hands-on approach by establishing their own operating

foundations to conduct charitable work.

The new Charity Law should smooth the way for local nonprofit groups to legally register and raise funds, while encouraging philanthropy with tax incentives and easier processes for the wealthy to establish charitable trusts.

The regulations and efforts to strengthen the social organisations and the philanthropy environment should encourage the local foundations that currently focus on funding direct services to explore systemic change strategies with the potential for long-term progress. With the efforts to strengthen governance and management processes, the social organisations and their leaders will look towards funders as partners rather than just for handouts.

*The journey of a thousand miles must begin with a single step* – Chinese proverb: I believe China has taken a major leap into an emerging model for transformation. **F&P**



#### Usha Menon

Usha is Founder of Usha Menon Management Consultancy (Asia). She works exclusively with nonprofits across Asia in the areas of governance, leadership and fundraising. Visit [ushamenonasia.com](http://ushamenonasia.com) for more details.

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