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# Same Bed, Different Dreams? The Divergent Pathways of Foundations and Grassroots NGOs in China

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**Abstract** The rapid rise of high-wealth individuals and foundations in China should be good news for China's grassroots NGOs whose continued growth depends critically on their ability to mobilize domestic resources. As a number of Chinese philanthropy practitioners have noted, Chinese foundations and NGOs should be natural allies and strategic partners. Yet the reality is very different as foundations currently provide very little support to NGOs, particularly the more independent, grassroots NGOs that have few ties with the government. This paper examines the disconnect between Chinese foundations and grassroots NGOs, and whether progress is being made in closing the gap between them. It argues that one of the main reasons for the gap has to do with their very different development paths, which have engendered significant structural and cultural differences between the two.

**Résumé** La hausse rapide des individus et fondations très fortunés en Chine devrait constituer une bonne nouvelle pour les ONG populaires, dont la croissance dépend essentiellement de leur capacité à mobiliser des ressources nationales. Comme bon nombre de spécialistes de la philanthropie l'ont fait remarquer, les fondations et ONG chinoises devraient naturellement être des alliées et des partenaires stratégiques. La réalité est toutefois très différente. Les fondations offrent actuellement très peu de soutien aux ONG, surtout aux ONG populaires plus indépendantes, qui entretiennent peu de liens avec le gouvernement. Le présent article étudie la coupure qui existe entre les fondations et les ONG populaires de Chine, et si des progrès

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sont réalisés dans le but de colmater cette brèche. Il avance qu'une des principales causes de cette coupure est la différence marquée entre leurs voies de développement, ce qui a engendré des diversités structurelles et culturelles importantes entre les deux.

**Zusammenfassung** Der rasche Anstieg in der Zahl vermögender Privatpersonen und Stiftungen in China sollte für Chinas Grassroots-NROs, deren anhaltendes Wachstum entscheidend von ihrer Fähigkeit zur Mobilisierung einheimischer Ressourcen abhängt, eigentlich eine gute Nachricht sein. Wie eine Reihe chinesischer philanthropischer Praktiker angemerkt haben, sollten chinesische Stiftungen und NROs natürliche Verbündete und strategische Partner sein. Doch sieht die Realität ganz anders aus. Stiftungen bieten NROs gegenwärtig nur sehr geringe Unterstützung an, insbesondere den unabhängigeren Grassroots-NROs, die nur wenige Verbindungen zur Regierung haben. Dieser Beitrag untersucht die Trennung zwischen den chinesischen Stiftungen und den Grassroots-NROs und erforscht, ob bei der Schließung dieser Lücke Fortschritte gemacht werden. Es wird behauptet, dass einer der Hauptgründe für die Lücke die sehr unterschiedlichen Entwicklungsrichtungen der Stiftungen und NROs sind, die zu bedeutenden strukturellen und kulturellen Differenzen zwischen ihnen geführt haben.

**Resumen** El rápido aumento de individuos y fundaciones con grandes riquezas en China debería ser una buena noticia para las ONG de base de China cuyo continuo crecimiento depende críticamente de su capacidad para movilizar recursos domésticos. Como un número de profesionales chinos de la filantropía han observado, las fundaciones y las ONG chinas deben ser aliados naturales y socios estratégicos. Sin embargo, la realidad es muy diferente ya que las fundaciones proporcionan actualmente muy poco apoyo a las ONG, en particular a las ONG de base más independientes que tienen pocos lazos con el gobierno. El presente documento examina la desconexión entre las fundaciones chinas y las ONG de base y si se están haciendo progresos para cerrar la brecha entre ellas. Argumenta que una de las principales razones para dicha brecha tiene que ver con sus vías de desarrollo muy diferentes, que han engendrado diferencias culturales y estructurales significativas entre ambas.

**Keywords** Foundations · Grassroots NGOs · Grant-making · Path dependence

## Introduction

On November 13, 2013 five Chinese NGOs presided over a China Foundation Ranking awards ceremony for Chinese and international foundations at the Shonnbrun Hotel in Beijing. The event was the culmination of a project started that summer to survey over 100 grassroots NGOs to ask them to evaluate both Chinese and international foundations. In the end, 50 Chinese foundations and 98 international foundations and NGOs were evaluated on five criteria, and the top five

Chinese foundations and the top five international foundations were given an award at the November ceremony.

The China Foundation Ranking was the latest in a series of events held to reflect on the Chinese philanthropy sector's development. While many foundations have appeared, they have been criticized by many in the sector for being too removed and not engaged in promoting the development of the sector or supporting the work of Chinese NGOs. The China Foundation Ranking event was unique in being the first to ask grassroots NGOs to engage in a public evaluation of foundations. As a piece of advocacy, it could be seen as an effort by NGOs to get foundations to re-evaluate their work with, and support of, NGOs. As Chen Yimei, the executive director of China Development Brief, noted “[the China Foundation Ranking] helps to make foundations realize that they should treat NGOs with more equality in their partnerships, rather than just assume a top-down relationship....” About the event's timing, she added, “It's a critical moment, a time when foundations are thinking about their operating model and the philanthropy sector is contemplating whether we should have more grant-making foundations” (Bannister 2014).

This paper examines why Chinese foundations and NGOs, which conceptually are part of the same civil society universe, are so different in their views and approaches, and whether or not progress is being made in closing the gap between them. As a number of Chinese philanthropy practitioners have noted, foundations and NGOs should be natural allies and strategic partners (Liu 2009a, 2010). When asked why the two have such a hard time cooperating, a number of reasons were offered. Some note that it is because foundations have a difficult time communicating with and finding capable NGO partners. Others blame the lack of collaboration on the newness of NPPFs and their lack of a clear mission, and their preference for carrying out their own projects rather than funding NGOs. Other reasons given are that foundations lack confidence in NGOs, are driven by corporate interests, and tend to fund organizations and projects that are not politically sensitive (Anonymous 2013a).

While these explanations all have some truth to them, they suffer from focusing the blame on one side and glossing over their historical and structural differences. In this paper, we propose that to better understand the lack of cooperation between Chinese foundations and NGOs, we need to look past their conceptual similarities and understand their distinct development paths. These development paths, and the structural and cultural differences they have engendered, can be helpful in explaining why foundations are reluctant to fund grassroots NGOs.

Our arguments are based on a review of the existing literature and recent surveys of both foundations and grassroots NGOs, and semi-structured interviews with 16 Chinese foundations, and philanthropy/NGO experts and practitioners. This paper is divided into several parts. The first section explains key concepts and issues, and defines the scope, of our research. The second section examines the different development trajectories of foundation and grassroots NGO development in China over the last few decades. The third section uses these trajectories to explain the obstacles standing in the way of Chinese foundation grant-making to grassroots NGOs. The conclusion discusses some promising signs of recent collaboration between Chinese foundations and grassroots NGOs and offers some preliminary

observations about where we can expect progress on foundation grant-making in the near future.

## Concepts, Issues and Scope

In this section, we address two challenges to carrying out research on philanthropy and civil society in China: translating concepts and terminology, and making comparisons between China and countries in the West. For the term “civil society,” we use Lester Salamon et al.’s (1999) widely used international definition which identifies five key features of civil society institutions: they are organizations, private, not profit distributing, self-governing, and voluntary in nature. We think of these features in relative rather than absolute terms. For example, in China, the extent to which civil society organizations (CSOs) such as foundations and NGOs fit these “private” and “self-governing” criteria varies depending on the relationship with the party-state. Many foundations and NGOs in China are GONGOs (*guanban zuzhi*) with close ties with the state apparatus, while others are more grassroots (*minjian* or *caogen*) with few or no ties to the state. For foundations, there are two major categories of foundations in China that were created by the 2004 Regulations on Management of Foundations: public fundraising foundations (PFF, *gongmu jijinhui*) and non-public fundraising foundations (NPPF, *feigonmu jijinhui*).<sup>1</sup> The former have the authority to fundraise through public channels, while the latter do not. While we use the terms “operational foundations” (foundations that operate their own projects) and “grant-making foundations” (foundations that give grants to other NGOs) throughout this paper, we should caution that these terms are rarely used in China. One of the challenges of researching this topic is that most Chinese foundations do not clearly distinguish between the two in rhetoric or practice.

For NGOs, the official Chinese term used is “social organizations” (*shehui zuzhi*), of which there are three categories: social associations (*shehui tuanti*), civil non-enterprise units (*minban feiqiye*) and foundations (*jijinhui*). In this paper, we use the term NGO to refer only to the first two categories, as well as to other nonprofits registered as businesses or are unregistered. In other words, we make a distinction between foundations and other NGOs, particularly grassroots NGOs which we define below.

The challenge of making comparisons about civil society organizations across countries is the temptation to use the U.S., where the voluntary sector and data on the voluntary sector is the most developed, as the representative case (Toepler 1999). This paper could be a case in point. In seeking to understand the disconnect between foundations and NGOs, we use the U.S. case as the norm by assuming that foundations in general should support NGOs by engaging in grant-making. But this may not be the norm in other countries. Preliminary research and case studies suggest that in Europe, a larger share of private foundations do a blend of grant-

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<sup>1</sup> We chose to use the acronyms PFFs and NPPFs instead of public foundations and private foundations because these same terms are used in the U.S. context to mean something quite different. We would like to thank Chen Yimei for pointing this out.

making and operating programs, although grant-making is significant in countries such as the United Kingdom and Germany (Toepler 1999; Anheier and Toepler 1999; Anheier and Winder 2004). Anecdotal information and case studies from Asia, however, suggest that operating foundations may be more the norm outside of the USA and Europe (Park 1996; Jansons 2015). Clearly though, more systematic, comparative research is needed on this topic before authoritative conclusions can be drawn.

With this caveat in mind, we still believe the issue of foundation support for NGOs in China is still a valid and important topic for investigation for several reasons. One is because this topic has been hotly discussed in China's civil society sector as the attention given to the China Foundation Ranking event shows. Chinese grassroots NGOs are entering a critical time in their development. While they are growing rapidly, many are still small and weak and will require resources if the independent NGO sector is to develop in a healthy direction. At the same time, an important source of grassroots NGO funding—aid from multi-lateral agencies, foreign governments and overseas NGOs—has declined over the last decade and may experience more difficulties given upcoming legislation restricting foreign NGO funding and activities in China (China Development Brief 2015). To counter this decline, many in the sector look to Chinese foundations which have grown rapidly during this same period, and a number of Chinese foundations, forums, and NGO leaders have played an important role in promoting closer relations between foundations and NGOs (Liu 2009b, 2010).

A second reason is because of the large gap that exists between Chinese foundations and NGOs. Available data shows that only a very small number of Chinese foundations actually give grants to NGOs. One 2012 report on the Chinese foundation sector noted that only a very small percentage of Chinese foundations—1.6% of all PFFs and 13.2% of all NPPFs—could be categorized as grant-making (Kang et al. 2012). A 2012 national survey of Chinese NPPFs came up with similar findings, showing that operational foundations dominated with 73.2% of respondents saying their staff operated the foundation's own charitable programs (China Private Foundation Forum 2012). Of the 214 foundations that responded out of a total of 1096 registered NPPFs in China (based on 2011 data), only 88 (or 41%) gave grants to other organizations but only 19 of those 88 (21.6%) actually gave grants to grassroots social organizations (*minjian gongyi zuzhi*) or NGOs.<sup>2</sup> In terms of dollar amounts, only 13.5% of the grants disbursed by these 88 foundations went to NGOs.

Finally, a clearer understanding of the obstacles that stand in the way of an improved foundation–NGO relationship is critical to establishing a more rational and effective division of labor within China's rapidly developing philanthropic ecosystem.<sup>3</sup> The comparative advantage of foundations is their ability to raise funds from society and identify effective, innovative, and strategic uses for those funds to

<sup>2</sup> Anecdotal evidence suggests that many of the registered private foundations do little programming either in terms of grant-making or operating projects, so it is likely that these percentages of 41 and 21.6% would be smaller if the 882 foundations that had not responded were included in the sample.

<sup>3</sup> Interview with Zhuang Ailing, executive director of the NPO Development Center in Shanghai, September 30, 2014. See also Mercy Corps China (2010).

address social problems, while the comparative advantage of NGOs is their ability to carry out programs addressing social problems by reaching out to diverse communities and populations (Fleishman 2007). Foundation grant-making to NGOs takes advantage of these comparative advantages, and contributes to a more efficient and effective use of social resources in improving the public good. Grant-making allows foundations to play to one of their distinctive functions of identifying important long-term initiatives that may not be recognized or supported by others, such as cultivating a healthy, innovative civil society (Lai and Zhu 2013; Liu 2011a, b). This article hopes to provide greater understanding, clarity and direction to foundations and NGOs thinking about how best to collaborate.

In terms of the scope of our research, we focus on the relationship between Chinese foundations (both PFFs and NPPFs) and grassroots public benefit NGOs, which is a small subset of the larger NGO universe in China. By grassroots organizations (*caogen zuzhi* or *minjian zuzhi*), we mean NGOs with few or no ties to the government and closer ties to grassroots communities and their concerns (Spires 2011a; Shieh and Inz-Brown 2013). We do not include social organizations with close government ties (GONGOs) such as the All-China Environment Federation established by the State Administration for Environmental Protection (now the Ministry of Environmental Protection). Moreover, our research inquiry is focused on public benefit NGOs. We do not include in the scope of our research membership or mutual-aid associations such as trade associations, chambers of commerce, rural technical cooperatives, or the many cultural, recreational, and academic clubs and associations that make up the large majority of social organizations in China.<sup>4</sup> Unlike many of these mutual-aid associations which either rely on membership dues or are informal in nature, public benefit NGOs generally have an office, staff, and the capacity to raise funds and carry out projects, and are thus the natural beneficiaries of foundation grants.

## **An Emerging Philanthropic Sector: Foundations and Grassroots NGOs in China**

Both foundations and grassroots NGOs have been relatively recent creations in China. The first foundations emerged in the early 1980s starting with the China Teenagers and Children's Foundation which was founded in 1981. These early foundations were GONGOs that came about with the blessing of individuals and offices within the party-state hierarchy and belong to the category of PFFs created by the 2004 Foundation Regulations. The China Teenagers and Children's Foundation, for example, was established by prominent mass organizations and GONGOs such as the All-China Women's Federation, All-China Federation of Trade Unions and Communist Youth League (Wang and Xu 2010; Simon 2013). These early foundations were started before the first Regulations on Management of Foundations were issued in 1988. NPPFs, which did not become a legal category

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<sup>4</sup> For a discussion of the larger NGO or social organization landscape in China, see Wang and He (2004), Wang (2011) and Watson (2008).

until the Foundation Regulations were revised in 2004, have had an even shorter history but experienced extremely rapid growth over the last few years. The number of NPFFs jumped from 140 in 2004 to 1373 by the end of 2011, exceeding the number of PFFs in the short span of seven years.

Similarly, grassroots public benefit NGOs have also been fairly recent creations. Precursors of these NGOs can be traced as far back as the 1980s with the emergence of mutual-aid groups such as scholarly associations, cultural societies and clubs and rural agricultural and credit cooperatives that were essentially unregistered or existed under the cover of formal institutions (Simon 2013, 195–198). But public benefit NGOs that took on institutional forms more in line with international standards—having an office, staff and mission and raising funds to carry out projects in line with their mission—did not emerge until the early 1990s when organizations such as Beijing Maple Women’s Psychological Counseling Center and Friends of Nature, came on the scene (Howell 2004). Many of these early grassroots NGOs were unable to register with Civil Affairs as “social organizations” (*shehui zuzhi*) and as a result registered as businesses, or affiliated with a legally registered organization (Spires 2011a; Deng 2011). Since the early 2000s, this category of NGOs has grown quickly although there are no authoritative numbers because many of them are not registered. Some experts have speculated that there may be as many as several million social organizations broadly defined, but two major surveys published in 2013 suggest the numbers of grassroots, public interest NGOs may only be a small fraction of the total (Shieh et al. 2013; Spires et al. 2014).

If the history of these two forms of civil society organizations has been relatively brief, the history of the interaction between them has been even shorter. Very little collaboration took place between the early foundations and the early grassroots NGOs from the 1980s to the late 2000s. Most of the better-known grassroots NGOs that came about in the 1990s were being funded by international sources that included international foundations and NGOs working in China, foreign governments and embassies, and multi-lateral aid agencies (see the next section). One of the earliest recorded instances of formal collaboration between a Chinese foundation and grassroots NGOs was a village-level poverty-relief project in 2005 in which the Jiangxi provincial government contracted out services to NGOs to implement the project.<sup>5</sup> To identify and select the NGOs, the provincial government asked the China Foundation for Poverty Alleviation (CFPA) to manage the competitive bidding process which resulted in the selection of six NGOs. A few years later, as NPFFs began to emerge on the scene, a few such as the Narada Foundation (2007), YouChange Foundation (2007), Vantone Foundation (2008), and Alashan SEE Foundation (2008) were established and began to actively fund grassroots NGOs.

The watershed event in stimulating more regular interactions between foundations and grassroots NGOs was the 2008 Wenchuan earthquake when many NGOs, foundations and volunteer groups rushed to the stricken area to participate in the

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<sup>5</sup> This case is often cited as the earliest pilot with government contracting which began to be carried out on a large scale in the early 2010s (Xu 2009).

rescue and reconstruction phase of the relief effort (Shieh and Deng 2011). The timing of the earthquake also coincided with the founding of several NPFFs—Narada, Vantone, Alashan SEE, the One Foundation—which later took the lead in grant-making to grassroots NGOs. In addition, the earthquake brought into the open the monopolistic position enjoyed by two GONGOs—the Chinese Red Cross and the China Charity Federation—in raising public funds to assist in disasters (Shieh and Deng 2011).

These changes precipitated by the earthquake created the conditions for Chinese foundations to begin considering funding of grassroots NGOs. The Narada Foundation set the tone. It created a special fund of 10 million RMB to fund NGOs involved in disaster relief and post-disaster reconstruction. By April of 2009, it had received 181 project applications from 141 NGOs, and approved 70 proposals. In the end, 24 projects were completed and a total of 7.27 million RMB in funds were approved. The YouChange Foundation and One Foundation also provided funding (Liu 2009a). The Chinese Red Cross jumped on board in June of 2008 by making available for the first time in its history 20 million RMB for NGOs to carry out post-disaster reconstruction projects. On May 21, 2009, Narada held a “NGO Cooperation Forum for 512 Post-Disaster Reconstruction” in Beijing, to discuss cooperation between foundations and grassroots NGOs. At that forum, Liu Wenkui, Deputy Secretary-General of the CFPA, a PFF with close ties to the State Council’s Poverty Alleviation Office, announced that they planned to give 10 million RMB to grassroots NGOs. Since then, the CFPA has committed itself to the strategic goal of changing from an operational to a grant-making foundation (Xu 2009; Shieh and Deng 2011).

### **Divergent Pathways in the Evolution of Foundations and NGOs**

These changes fostering closer ties between Chinese foundations and grassroots NGOs are encouraging, but they also gloss over historical differences between foundations and grassroots NGOs that need to be addressed if collaboration between these two civil society actors is to be improved. In this section, we show how these differences are the result of the distinct pathways by which various types of CSOs developed in China. In their article on the development of China’s social organizations, Wang and Sun allude to these different pathways in pointing out four major dynamics shaping the organizational structures of China’s social organizations: the imitation of party-state structures; learning from foreign NGOs; the growth of government regulations for the philanthropic sector; and the development of self-regulation within the sector (Wang and Sun 2010). Our argument is that the first two dynamics—imitating party-state structures and learning from foreign NGOs—did not influence civil society equally. Rather, the first dynamic had the largest impact on PFFs and other types of GONGOs, while the second dynamic had the largest impact on grassroots NGOs, with NPFFs being influenced by both dynamics, as well as one other pathway that Wang and Sun do not mention—the imitation of corporate values and practices. These different influences or pathways constitute an important reason for the institutional and

cultural barriers that prevent greater collaboration between foundations and grassroots NGOs.

This path-dependent argument is not new. It was first made by one of China's leading philanthropists, Xu (2013), with regard to PFFs, but in this paper, we apply it as well to NPFFs and to grassroots NGOs. In this section, we show that different developmental pathways have resulted in organizations with quite different values, interests and missions. Many of the difficulties facing foundation–NGO collaboration stem from these differences. PFFs came out of a milieu in which they enjoyed close ties with government agencies, mass organizations and public institutions (*shiyè danwei*) within the official system. This top-down, government-organized philanthropic ecosystem dominated China's philanthropy scene from the early 1980s until the late 2000s, and its legacy remains a powerful influence shaping the current development path of foundations and NGOs. NPFFs have had a much shorter history, many of them originating from the private business sector either as a result of a major gift from a company or a businessperson. As private businesses, they were part of the social mainstream and enjoyed close ties with those in the official system and thus had either operated in, or at least were familiar with, this government-organized philanthropic ecosystem. But structurally, they were not part of this ecosystem and they emerged at a time when international philanthropic approaches were making inroads into China. In contrast, grassroots NGOs emerged from the margins of a society that knew little about their activities, and had few if any ties with either the official system or the private sector. Many of the more prominent grassroots NGOs were shaped significantly by international funding and exposure to international values and practices.

### **PFFs: Practitioners of Statist Philanthropy**

Because Chinese PFFs constitute the oldest and largest philanthropic organizations in reform China, their development path has left a powerful and lasting mark on the philanthropic culture and ecosystem that has developed in China over the last few decades. Some scholars refer to this ecosystem as “traditional Chinese philanthropy” or “philanthropy with Chinese characteristics.” (Wang and Xu 2010, 26–29; Xu 2011; Feng 2013). In the remainder of this article, we use the term “statist” instead of “traditional” to avoid confusion with the philanthropic tradition in China prior to the Communist period.<sup>6</sup> This statist ecosystem includes not only PFFs (which prior to 2004 were referred to as simply foundations) but also other philanthropic organizations such as the Chinese Red Cross, which is governed by its own law, and the China Charity Federation which is registered as a social association (*shehui tuanti*). During the 1980s and 1990s, this ecosystem produced a number of projects that became well-known inside and outside of China. Perhaps the best example is Project Hope, which was started in the late 1980s by the China Youth Development Foundation, then under the leadership of Xu Yongguang, to

<sup>6</sup> The use of the term “traditional” is misleading because it refers to a tradition that was established during the early part of the reform period (1980s to the early 2000s), not to the earlier pre-1949 philanthropic tradition which was quite different. For studies on Chinese philanthropy prior to Communist period, see Smith (2009) and Simon (2013).

build Project Hope schools for children in poor rural areas of China. Others include the China Children and Teenager Foundation's "Spring Buds Program" to provide schooling for girls from low-income families, the China Population Welfare Foundation's "Project Happiness" providing assistance to mothers from low-income families, and the China Women Development Foundation's "Mother's Cistern Project" to improve access to drinking water to people in poor, mountainous areas. For many Chinese, when they think about charity or philanthropy, they associate it with programs like these, or with being asked to donate in times of major disasters.

This statist philanthropic ecosystem is characterized by several features which make it a quite different from the modern or societal philanthropic tradition found in most Western countries (Wang and Xu 2010): (1) philanthropic organizations are established with support and resources from the party-state system; (2) philanthropic organizations focus on public benefit goals closely aligned to government priorities such as poverty alleviation, education, and disaster relief; (3) philanthropic organizations use their quasi-governmental authority to carry out public fundraising through broad public campaigns that bring pressure on enterprises and individuals to "donate"; (4) philanthropic organizations use their funds to carry out their own large-scale projects that are publicized through official channels.

Each of the national foundations mentioned above was established with backing from a national-level government agency or party-initiated mass organization. This backing included investment of registered capital, financial subsidies, office facilities, administrative support, and personnel (Wang and Xu 2011). For example, the China Youth Development Foundation's official backer was the Communist Youth League, the China Population Welfare Foundation came out of the State Family Planning Association, while the China Women Development Foundation was sponsored by the Women's Federation. These official sponsors served as a crucial resource for these foundations because they had a national network of offices at every level of the hierarchy that the foundations could tap into whenever they needed to raise funds from the public or carry out their projects. As Kang (1997), Hsu (2008) and Lu (2009) show in great detail, many of the projects mentioned above were carried out in large part on a volunteer basis by local offices of the foundation's official backer. Thus, official backing enabled Chinese foundations to not only extend their reach nationwide, but also to keep their administrative costs low.

Essentially, this statist philanthropic ecosystem can be described as an outgrowth of the party-state administrative system, a form of government-organized philanthropy that is top-down, monopolistic, project-oriented and uses administrative power and resources to extract donations from the public, and implement projects. Most importantly, it is a philanthropic model fundamentally at odds with international philanthropic models which have more open, transparent, and competitive value chains in which a wide range of organizations—foundations, nonprofits, social enterprises, consulting and research firms—share distinct roles, and collaborate and compete with one another. In the government-organized model, there is no role for nonprofits and other intermediary organizations since foundations and their official backers fundraise and implement projects in a closed loop.

It was only after the 2008 Sichuan earthquake, with the emergence of NPFs, the rapid growth of grassroots NGOs and social media, the dissemination of other philanthropic models, and the public criticism of this closed system following successive scandals (such as the Guo Meimei incident) that hit PFFs in 2011, that PFFs have been willing to venture outside of this ecosystem. Indeed, according to a number of the foundation staff we interviewed, the pressure to be more open and accountable to both their public and corporate donors has become an important factor shaping the development trajectory of PFFs and a major consideration when deciding whether to engage in grant-making.

### **NPFs: Caught Between Competing Philanthropic Approaches**

Compared with the development pathway of PFFs, the development pathways of NPFs and grassroots NGOs is more difficult to generalize about but some preliminary observations can be made. NPFs, in particular, have been around too short of a time to develop path dependence or a culture of philanthropy. More than half are less than 4–5 years old (CPFF 2012, 10). They also are structurally outside of the government-organized philanthropic ecosystem. Unlike PFFs, they cannot engage in public fundraising, nor do they have access to official backers with national networks who can help them implement their projects. They also began to emerge at a time when international philanthropic influences began to gain a foothold in China (Zhang 2014).

At the same time, NPFs have been constrained by certain initial conditions that shaped their development in ways made them less likely to support grassroots NGOs. One is that they emerged in an environment still dominated by government-organized philanthropy, which continues to exert an influence on NPFs in not so obvious ways. If, for example, we look at the founders of NPFs, we find that about half (50.8%) actually have very close ties with the official system, particularly the founders of higher education foundations which constitute some of the biggest NPFs. These founders are public institutions (*shiye danwei*) that are very much part of the official governmental apparatus. According to the 2011 China Private Foundation Forum survey (CPFF 2012, 9), of the 214 NPFs that responded, about 36.4% were founded by public institutions. In addition, another 14.4% of founders were government agencies and state-owned enterprises. Other founders of NPFs were either entrepreneurs (31.3%), well-known public figures, artists and celebrities from the sports and entertainment world (21.5%), or private- and foreign-invested enterprises (21%).<sup>7</sup> While these groups are not a part of the official system, they come from the economic and social elite who are socialized in the advantages of working within the official system. They also come from corporate backgrounds that are quite different from those of grassroots NGOs.

Given the dominance of the government-organized philanthropic system, and the tight nexus between government and business that exists in China, it should be no surprise that PFFs and NPFs share much more in common with each other than they do with grassroots NGOs. For example, like PFFs, NPFs work in areas that

<sup>7</sup> The percentages do not add up to 100% because some of these categories are not mutually exclusive.

are closely aligned with government priorities: education and scientific research (72.9%), poverty alleviation (31.3%), health and medicine (11.2%), and disaster relief (8.4%). The large majority of NPFs also tend to focus on project implementation in a closed system, with few signs of collaboration with other organizations. The 2011 survey of NPFs shows a sector that is still surprisingly isolated and unengaged with other public and social actors. When asked if they had collaborated in any way with other organizations, the large majority of NPFs (78%) noted only three or fewer collaborators, almost half (44.9%) had only one collaborator, and 14.5% had no collaborators. These numbers are consistent with a general observation made by the secretary-general of one private foundation who noted that it was difficult to say how many foundations were grant-making and how many were operational simply because “many foundations are dormant” (CPFF 2012, 13).

One final observation is that the development trajectory of NPFs has been shaped by a policy environment that has not been conducive to grant-making foundations. One reason has to do with the uneven implementation of the regulations for registration and management of different categories of “social organizations” (*shehui zuzhi*) that has made it easier to register as a NPF than the two other categories—social association and civil non-enterprise unit (CNEU, *minban feiqiye*). A number of foundation staff interviewed pointed out that registering as a social association or CNEU was still considered quite difficult, while registering as a NPF was easier as long as you had the registered capital needed (2 million yuan at the local level). In addition, registering as a foundation came with more tax benefits as CNEUs often still had to pay business taxes. As a result of this uneven implementation, a number of NGOs that had sufficient funds and had wanted to register as a CNEU decided instead to register as a NPF after the Foundation Regulations came out in 2004. In other words, these NGOs registered as NPFs out of convenience, not out of a desire to be a foundation.

A second area is onerous tax regulations such as those requiring foundations to pay taxes on income earned from investments at the same rate (25%) as companies, and those requiring NGOs to pay business taxes which are passed onto the foundation funding the NGO. On the tax issue, several NPF directors suggested that changes in tax regulations encouraging foundations to set up endowments might make grant-making more appealing. One director made a comparison with the U.S. where private grant-making foundations can set up an endowment and use the interest earned from that endowment for grant-making (Interviews of foundation staff in Beijing, May 23 and 27, 2014; Shenzhen, May 29, 2014; and Guangzhou, May 30, 2014). Several times in 2009, a number of foundations, both PPFs and NPFs, submitted a joint petition to the Ministry of Finance and State Administration of Taxation voicing their concerns about these various tax issues (China Development Brief 2013).

### **Grassroots NGOs: Marginalized and Raised on “Foreign Milk”**

Grassroots NGOs have exhibited distinct development pathways of their own that diverge from those of foundations, both public and private. Here, we reiterate again that we are speaking of grassroots, public benefit NGOs because they are the group

most likely to be applying for foundations for project and core funding (Shieh and Inz-Brown 2013). There are also other categories of grassroots groups—mutual-aid groups such as homeowner associations, house churches, informal cultural and recreational groups that form in urban communities, and technical cooperatives in the countryside—that have evolved along their own distinct pathways and generally do not approach foundations for funding.

Here we make two general observations about the development pathway of grassroots, public benefit NGOs. One is that many developed as marginalized social actors with few or no ties to the state apparatus although some gained a modicum of legitimacy through a strategy of “embedding” themselves into state institutions such as public universities, research institutes and mass organizations (Ho 2008; Yang and Alpermann 2014). They began to emerge in the 1990s in response to social and environmental issues and specific needs of marginalized communities that were being exacerbated by China’s rapid growth but were not government priorities. These ranged from protecting endangered species and helping pollution victims, to providing legal services migrant workers, to caring for at-risk children, to providing medical support for people living with HIV/AIDS, to calling attention to discrimination against women, the disabled and the LGBT community (Schwartz and Shieh 2009). Given their independent and marginalized status, they often found it difficult to gain legal status by registering as “social organizations” (*shehui zuzhi*), the official Chinese term for NGOs. Some managed to gain a degree of legitimacy by attaching themselves to legal social organizations or public institutions, while others registered as businesses, and still others remained unregistered and informal (Zhang and Baum 2004; Spires 2011a; Shieh and Inz-Brown 2013). This situation continued until the late 2000s when local governments in places such as Guangdong and Shanghai began to experiment with more lenient registration policies for social organizations. In recent years, a growing number of grassroots NGOs have managed to register under these more relaxed policies, although the evidence suggests these policies disproportionately benefit service providers, while discriminating against NGOs working in more sensitive areas such as labor, religious, ethnic minority and advocacy-type organizations. Still, government harassment and crackdowns on grassroots NGOs have not lessened, further reinforcing their marginalized and quasi-illegitimate status. Overall, grassroots NGOs still carry the stigma of being marginalized, under-resourced and short on capacity and professionalism. A number of our foundation interviewees alluded to them as being “immature” or “underdeveloped” (*buchengshu*).

Second, a good deal of the literature and interviews with many of the older, more established grassroots NGOs suggest that international funding, or what the Chinese sometimes call “foreign milk” (*yang nai*), and other forms of resources and support provided by overseas funders had a critical role to play in shaping the development paths of grassroots, public interest NGOs during their formative years from the mid-1990s to the mid-2000s (Howell 2004; Ma 2005; Schwartz and Shieh 2009).<sup>8</sup> This was a period when both international organizations were beginning to enter China in

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<sup>8</sup> For a profile of these international donors and their funding relationship to grassroots NGOs, see the report by CBAC (2010), an English-language summary of which is available (Wang 2010a).

greater numbers and grassroots Chinese NGOs began gaining a critical mass. While no systematic, historical data on international funding of grassroots NGOs exists for this time period, the data available support the view that international donors played a crucial role in funding grassroots NGOs, particularly in the late 1990s and early 2000s. One study of leading NGOs in China found that they relied on foreign sources for most than two-thirds of their funding (Ma 2004, 195). Surveys of Chinese grassroots NGOs conducted in 2010 and after, showed that while NGO funding sources had diversified to include funding from domestic sources, many NGOs still showed a substantial reliance on international funding (CBAC 2010; Shieh and Inz-Brown 2013; Spires et al. 2014).

In addition to funding, international donors have shaped grassroots NGO development in other ways such as technical assistance that has: (1) introduced new ideas, approaches and methods from the global civil society and development community through collaboration and exchanges; (2) supported Chinese research and writing on NGOs, governance, rule of law, human rights and other development issues; (3) influenced government laws regulating NGOs by providing advice and consulting on international models and experiences; and (4) provided training and other resources to cultivate individual NGO leaders and the organizational capacity of NGOs.

Through these various initiatives, international funders and NGOs have introduced grassroots NGOs to development concepts such as democratization, participation, inclusive development, good governance, and empowerment of marginalized communities, and approaches and methodologies such as capacity building trainings, organizational capacity assessment (OCA), participatory rural appraisal (PRA), micro-credit, and eco-tourism. INGOs have also hired and trained many Chinese staff, some of whom have gone off and started their own grassroots NGO. One particularly influential set of capacity building trainings organized by several international foundations and NGOs for Chinese NGO staff in the early 2000s had the unintentional effect of encouraging some of those staff members to start their own NGOs, spawning what one of them called the “second generation” of grassroots NGOs (Interview of an NGO director in Beijing, September 21, 2009).

Given the imprint that international organizations have left on Chinese grassroots NGOs, it is not surprising that a *China Development Brief* article on the impact of Chinese NPPFs on grassroots NGOs would observe, “[a]s private foundations emerged, they came in contact with NGOs that already had worked with international foundations for almost twenty years. As a result, Chinese NGOs have been deeply influenced by international foundations both in terms of values and methods of project management. When discussing private foundations, [NGOS] thus use international foundations as a natural frame of reference” (Liu 2009a). The China Foundation Ranking survey provides some support for this argument by comparing grassroots NGO evaluations of Chinese foundations and international foundations/NGOs (Table 1). On every criteria, and particularly on the criteria of resource sharing and core funding (funding for NGO staff and overhead as opposed to project funding), NGOs ranked international foundations/NGOs higher than Chinese foundations, suggesting that they have a greater comfort level with international organizations than with Chinese foundations.

**Table 1** Evaluation of foreign and Chinese funders. *Source* Anonymous (2013b)

	Resource sharing	Core funding	Equal partnership	Flexible management	Appropriate intervention	Overall score
All Foreign Funders	7.47	7.82	8.89	8.00	7.92	8.23
All Chinese Funders	5.88	6.31	8.13	7.27	7.35	7.27
Disparity	1.59	1.51	0.76	0.73	0.57	0.96
Foreign Funders in the Rankings	7.52	8.01	8.71	7.86	8.53	8.42
Chinese Funders in the Rankings	6.32	6.70	8.18	7.36	7.52	7.48
Disparity	1.20	1.31	0.53	0.50	1.01	0.94

We use the term “funders” rather than foundations because some of the international funders were not foundations, but governmental bodies and NGOs, while all of the Chinese organizations evaluated were registered as foundations

## Explaining the Disconnect Between Foundations and Grassroots NGOs

As our discussion of the different development paths of PFFs, NPFFs, and grassroots NGOs suggests, the disconnect between foundations and grassroots NGOs has both a structural and cultural dimension. Structurally, Chinese foundations grew out of, and remained intimately tied to, China’s mainstream governmental (which includes public institutions and GONGOS) and private business sectors, while many grassroots NGOs took root in marginalized communities, and were nourished by international funding and actors. Culturally, foundations and NGOs adopt world views and values shaped by their structural environment. PFFs and, to a somewhat lesser extent, NPFFs tend to align themselves with government and corporate priorities and values and emphasize the importance of professionalism, innovation and outcome-based evaluation, while grassroots NGOs see their *raison d’être* in adopting more independent positions and non-mainstream values and approaches, and stress meeting the needs of their beneficiaries and holistic evaluations (CBAC 2010).

These differences are exacerbated by the absence of an encompassing philanthropic culture in China. Indeed, we could talk about a bifurcated philanthropic culture in China. As noted earlier, the traditional or statist philanthropic culture is rooted in the official system. This is what most Chinese know when it comes to charity. Then there is an emerging societal philanthropic culture shaped by international influences, grassroots NGOs, academics and new actors such as research and advisory think-tanks, social enterprises, and a select group of private foundation leaders. This societal culture is not so much a culture as it is a sector understood and embraced mostly by those who work in the sector, but not by much of the public, although social media is helping accelerate the mainstreaming of this philanthropic culture. Unlike in the West, in China, foundations are still tied closely to the world of government, business and academia and have very little familiarity with NGOs, particularly grassroots ones. This is true of the major decision makers in foundations—founders and major donors, those who sit on the boards of foundations, and senior foundation staff. There is very

little crossover between foundations and NGOs; they still remain in largely separate worlds.

In this section, we discuss how the distinct development pathways of foundations and grassroots NGOs can help explain a number of the challenges that stand in the way of greater cooperation between foundations and grassroots NGOs. These challenges, which were listed in the introduction, included: (a) infrequent interaction and poor communication between the two with foundations saying they could not find capable NGOs and NGOs saying they were unable to find supportive foundations; (b) the lack of a clear sense of mission among NPFFs because they were so new; (c) more interest among foundations in carrying out their own projects than in grant-making; (d) foundations' lack of confidence and trust in NGOs; and (e) foundations being driven by government and corporate interests and funding organizations and projects that are not politically sensitive. In our interviews with foundation staff and experts, when asked why more Chinese foundations do not give grants to grassroots NGOs (see quotes in Table 2), many continually returned to similar and interrelated themes, in particular: the foundation's orientation or mission set by the founder; and lack of trust in grassroots NGOs. Both of these themes, we argue, reflect the very different development paths taken by foundations and NGOs.

The foundation's orientation and mission presents a problem for grassroots NGOs because the board, and particularly the founder, who decide these issues generally come from the government and business sectors.<sup>9</sup> As a result, they are likely to choose an orientation and mission that align closely with government and statist philanthropic priorities because that is what they are familiar with and because these areas of work are low risk. But these priorities do not match up well with those of grassroots NGOs. Thus NPFFs work in areas such as education, poverty alleviation, health and medical care, and disaster relief, which are closely aligned with statist philanthropy but not with the priorities of many grassroots NGOs. According to China Development Brief's (2013) *Chinese NGO Directory*, which is the first public listing of grassroots NGOs nationwide, the most common sectors for the NGOs in the directory included environment, education, disabilities, children, women, community development and migrant labor, while health, poverty alleviation/rural development and disaster relief ranked further back (Shieh and Inz-Brown 2013).<sup>10</sup>

The preferences of the founder and board in setting the foundation's orientation are also related to the trust issue. Because they come from government or corporate backgrounds, they have little understanding of the work of grassroots NGOs and view organizations that may not be properly registered, work in non-traditional areas, and are run by low-paid staff and volunteers who take a grassroots approach to their work, as lacking in "professionalism" or what many of the interviewees called "maturity," even though many grassroots NGOs have more experience in the

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<sup>9</sup> As Xu (2013) points out, this reflects the lack of independence foundations have from their founders, whether they be government or corporate backers. Many Chinese foundations are simply an extension of the government agency or company that founded them.

<sup>10</sup> Another recent survey of 263 grassroots NGOs from Beijing, Guangdong and Yunnan shows similar results with education, environment, HIV/AIDS and labor rights being among the most common areas, although the choice of these three provinces/cities makes the sample less representative (Spires et al. 2014).

**Table 2** Comments from Chinese foundation interviewees on why grant-making is uncommon in China

Interviewee	Reason
1 PFF staff in Beijing	The foundation's strategic direction which is influenced by the founder
2 NPPF deputy director in Hangzhou	(1) the foundation's founder and investor and their background; (2) As in the business sector where there are different business models, foundations also have their own models shaped by their issue area, capacity and background of their founder
3 Director of a grant-making PFF in Beijing	The mindset of the foundation [founder and board] who don't believe NGOs have the capacity to carry out impactful projects and don't want to take the risk"
4 Director of a grant-making NPPF in Beijing	One, it's the choice of the founder and secondly, foundations may not trust NGOs
5 NPPF staff in Shenzhen	Some foundations have their own orientation to do operating. Funding NGOs is not easy because of communication difficulties, and trust because if you're going to give that much money to another organization, you need to trust them. It's also difficult to evaluate the effectiveness of that project
6 Director of a largely operational NPPF in Beijing	The most important reason is trust; foundations don't trust [NGOs] to do their work and would rather do it themselves
7 Advisor to a NPPF in Shanghai	Many foundations, especially those set up by enterprises or entrepreneurs, were set up because [the founder] doesn't trust the government and other NGOs, and doesn't want to give money to others, so they set up their own team to do charitable projects
8 Director of a grant-making NPPF in Beijing	(1) Many foundations don't want to fund others mainly because of trust issues. They don't trust others to do the work, and feel most at ease when they do it themselves. (2) Many foundations don't really understand grassroots NGOs and don't have a lot of experience with them. They don't know how to fund them or are worried about getting duped
9 Staff of a Beijing NPPF that does substantial grant-making	Many Chinese think philanthropy is simply donating money, and unlike the US, China's civil society is not developed and there is no clear definition of what a NGO is, so there will be trust issues
10 Director of a corporate NPPF in Shenzhen	The Chinese model of philanthropy is project fundraising where the foundation raises funds to run projects. Fundraising then is tied to particular projects. There really are no pure grant-making foundations in China, only operational ones that carry out their own projects. This is a carryover of the old system and mindset which is still strong. Foundations are still dominated by a corporate mindset, interested in funding projects the old way. It's hard to break out of this mindset because the foundation board and staff come from a corporate background
11 Director of a grant-making NPPF in Chengdu	There are many reasons foundations haven't changed to grant-making. The most important are not policy reasons, but because foundations don't have role models of grant-makers

field than most NPPFs which were only established in the last decade. As comments 3 and 7 in Table 2 suggest, this skepticism can shape their decision to be an operational foundation, rather than to engage in grant-making, because they are not familiar with the work of these NGOs, and question whether they can do work that is effective and low risk.

Lack of trust in NGOs also has roots in other sources that are related to their distinct development paths. One comes from lack of experience in dealing with NGOs. For example, quite a few interviewees claimed there were not many suitable NGOs for them to fund in their area of work, or that NGOs are not mature enough to trust them with funding. But the former could be addressed by if foundations hired staff who were better informed about NGOs, had previous experience working in NGOs, and were more flexible about their priorities to better fit the needs and realities of grassroots NGOs who are closer to marginalized communities and have a better understanding of their needs. The latter claim about maturity is also quite subjective and more a casual generalization that comes from the very different experiences, standards and expectations of foundations and their lack of understanding of grassroots NGOs.

Two examples from our interviews raised questions about the credibility of these claims by foundations. One was a large, well-known national PFF that had recently cut its grant-making program and decided to focus more on disaster relief (Interviews with foundation staff in Beijing, May 17, 2014 and Shenzhen May 29, 2014). The senior staff member, who had been responsible for the grant-making program, noted that they had trouble finding NGOs to work with in the disaster areas and had to settle for partnering with young, relatively inexperienced NGOs required more training. When I mentioned that there were some quite mature disaster relief NGOs working in those provinces, she said she knew them but felt they were too mature, had their own ideas, were hard to influence, and would only cooperate with her foundation if it was in their interests. She then talked about the foundation's brand and how mature NGOs had strong ideas of their own and did not care about promoting the foundation's brand or the brand of their major donors.

The second example was a NPPF in Beijing supporting eco-community projects which had started off supporting some established, well-known environmental NGOs, but later stopped working with some of them because they "lacked expertise" in eco-community work and did not have good access to urban communities. The senior staff member of this foundation complained about the lack of urban environmental NGOs that had the skill sets they were looking for, even though environmental protection is one of the sectors where grassroots NGOs are most plentiful, and said their new plan was to start a platform to help incubate new NGOs that they could work with. Like the other foundation, she also had similar things to say about NGOs not wanting to acknowledge the foundation's support and supporting the foundation's brand.

These interviews suggest that that the disconnect between foundations and grassroots NGOs goes deeper than just not being able to find qualified NGOs, or not trusting or having confidence in NGOs. These foundations were able to identify quite capable grassroots NGOs that worked in their priority area but saw these NGOs as not working on behalf of the foundations' interests. In other words, these

cases reveal more fundamental issues inherent to the organization itself regarding ownership and control, protecting the brand of the foundation and companies, and managing risk. These are all high priorities for the foundations and their official backers, whether they be government agencies or companies, and their efforts to enforce these organizational priorities often steer them away from working with grassroots NGOs. One senior staff of a well-known national NPFF in Shenzhen, who has appeared in public forums calling for better cooperation between foundations and grassroots NGOs, was quite blunt in listing similar reasons when asked why his foundation did not do more to support NGOs:

One, our main priority is doing CSR for our company. Second is scale. We want to do something that gets attention and grassroots NGOs are too small for what we want, so we tend to give money to other foundations and companies. Third, we also have to take risk into account since NGOs are not the most trustworthy partners. (Interview on May 29, 2014).

He related a recent, ongoing case of another Shenzhen-based NPFF who was being sued by a NGO grantee which claimed that the foundation had violated its intellectual property rights by sharing its pilot project findings with the branch offices of its corporate patron. The NGO grantee accused the foundation of encouraging those offices to implement similar projects, rather than working through the NGO to expand the pilot. In relating the story, the foundation staff member suggested that the NGO was after fame by trying to take on the company which has a national reputation. His story echoed comment 8 in Table 2 about foundations not wanting to fund NGOs because they may be cheated or taken advantage by them.

This foundation's experience does not seem to be an isolated one. When foundations we interviewed did cite examples of grant-making, a surprising number said they supported other foundations, rather than grassroots NGOs. This phenomenon may reflect a lack of clarity in China's very fluid and fast-changing philanthropy sector about what constitutes a grassroots NGO. As observed earlier, given the relative ease of registering as a foundation in China, a number of operational NGOs that were unable to register as CNEUs ended up registering instead as NPFFs after 2004. As a result, the foundation sector in China constitutes a mix of foundations and operational NGOs that could justifiably be viewed as grassroots NGOs.

**Table 3** Funders evaluated by Chinese NGO grantees. *Source* Anonymous (2013b)

	Chinese funders			International funders
	PFFs	NPFFs	Total	
Number of funders evaluated by Chinese NGO grantees	24	26	50	98
Number of funders evaluated by 5 or more Chinese NGO grantees	5	9	14	8

We use the term “funders” rather than foundations because some of the international funders were not foundations, but governmental bodies and NGOs, while all of the Chinese organizations evaluated were registered as foundations

The concept of organizational homophily developed by Spires (2011b) to explain U.S. foundation preferences for supporting GONGOs over grassroots NGOs is relevant here. Organizational homophily refers to organizations sharing similar institutional structures and constraints and elite preferences having a higher rate of contact with one another than with dissimilar organizations. Familiarity in short breeds trust. In the Chinese case, foundations may feel a greater sense of familiarity with other foundations, are more likely to meet them in professional and social gatherings, and therefore are more likely to trust and work with them.

The differences in the developmental pathways of PFFs, NPFFs and grassroots NGOs can also be helpful in explaining variations between and among PFFs and NPFFs in terms of grant-making and support for grassroots NGOs. Because NPFFs share more similarities than PFFs with grassroots NGOs in terms of their development pathway, we would hypothesize NPFFs to be more open than PFFs to grant-making and support to grassroots NGOs. Preliminary data appear to support this hypothesis. According to the China Foundation Center data, compared with the small percentage of PFFs listed as grant-making (1.6%), a much higher percentage of NPFFs (13.2%) are grant-making. The survey carried out by the China Foundation Ranking project also shows NPFFs appearing more frequently as supporters of grassroots NGOs. Of the 14 Chinese foundations that had funded five or more NGOs in the survey, nine were NPFFs and five were PFFs (Table 3).

PFFs have been least likely to provide funding to grassroots NGOs, largely for structural reasons. Many PFFs are part of the statist philanthropic system and have been operating their own projects for years, often in the kind of closed system described earlier where they use their privileged authority that no other type of NGO has to raise funds from the public and then carry out projects with the support of their official backers in the governmental system at reduced cost. For PFFs to engage in grant-making would require a radical departure from this model and carry some risk of alienating their government backers. In addition, the rise of social media and increased scrutiny of foundations following various scandals in the Chinese Red Cross, the Soong-Chingling Foundation and China Youth Development Foundation have added another disincentive to grant-making for PFFs. A number of foundation interviewees said they received pushback from their individual and corporate donors when they found some of their donations were being used to support other organizations. Corporate donors, in particular, will often make a designated donation in which it will request in the agreement for the funds to be spent by the foundation rather than granting it to another organization. PFFs are particularly susceptible to this public pressure because their funds come from a broad donor base, whereas NPFFs tend to get their funds from one major gift from an entrepreneur or company. PFF interviewees also noted that this public scrutiny made them more risk-averse and less likely to give grants to grassroots NGOs because of the risk involved (Interviews in Beijing, May 17, 2014 and Shenzhen May 29, 2014).

In comparison with PFFs, NPFFs have fewer disincentives to engage in grant-making to grassroots NGOs. Structurally, they are outside of the official system and are not tied to or dependent on government agencies or GONGOs. Like grassroots NGOs, they are private, nonprofit and to a certain extent self-governing actors and

have more flexibility in deciding their orientation. They also do not have to consider the interests of a wide range of corporate and public donors in contrast to PFFs which rely on public fundraising for their funds and need to consider donor directives and sensibilities when spending the funds. NPFFs are generally beholden only to a few people—the founder, the board and/or the company which decide the orientation of the foundation. If the founder and board can be persuaded to do grant-making, then that is what the NPFF will do. In our interviews, a surprising number of foundations who did commit to grant-making did so either because their founders had participated in or were in some way influenced by international philanthropic approaches.

One case of a foundation that started off as a NPFF and later registered as a PFF serves as a cautionary tale showing the greater difficulties encountered by PFFs that want to engage in grant-making. As a NPFF, this foundation established a well-known program that made grants to grassroots NGOs for several years. When the foundation was able to register as a PFF, it began accepting major gifts from well-known entrepreneurs who joined the board. Over the next 2 years, the board carried out a change in the foundation's strategy, and in 2013 decided to do away with the grant-making program and focus on disaster relief. That decision was finalized shortly after the Lushan earthquake in Sichuan when the foundation received a large number of donations from the public. The foundation staff member interviewed noted how the challenges of satisfying donors and building the foundation's brand conflicted with supporting grassroots NGOs (Interviews in Beijing, May 17, 2014, and Shenzhen, May 29, 2014). She noted that donors wanted to see their funds spent on high-impact, visible results such as infrastructure projects, rather than supporting NGOs. While the foundation continued to support NGOs, she noted it was different than the support they provided when the foundation was a NPFF. "Now they outsource services to NGOs to carry out our projects in the disaster area. The saying is that NGOs that work for our foundation have turned into our own staff. These NGOs complain that they can't think about their own development because they're too busy doing our work." This foundation's experience suggests that the pressures of being a PFF make it difficult to support the long-term development of grassroots NGOs, and highlights the need to educate both corporate and public donors on the importance of supporting the NGO sector in China.

## Conclusion

In this paper, we have argued that different developmental pathways taken by PFFs, NPFFs and grassroots NGOs can help explain the challenges standing in the way of greater collaboration between these two types of foundations and NGOs. We want to caution against over-exaggerating the explanatory power of these distinct developmental pathways. Not all PFFs are embedded so deeply into the official system, and not all grassroots NGOs have been equally influenced by international funding and values. What the path-dependent argument alerts us to is the existence of broad historical-structural forces in shaping similar civil society groups in very dissimilar ways. We argue that it is important to recognize these forces at work to

clearly understand the scale of the challenges involved for China to make the transition from a statist philanthropic ecosystem to one that draws more heavily on social forces and resources. It will take many years of exchanges, training, education, advocacy and policy changes to overcome structural and cultural obstacles that have been in the making for decades before we see a substantial number of Chinese foundations play a role as innovative and effective grant-makers, and the development of a more rational, effective and societal philanthropic ecosystem.

Fortunately, the last few years have seen some promising signs of foundations and grassroots NGOs collaborating to overcome the obstacles erected by their distinct pathways, most notably in the NPPF sector where the developmental legacy carries less weight. One important initiative was the establishment of the annual China Private Foundation Forum which organizes sessions around collaboration between NPPFs and grassroots NGOs and invites NPPF and NGO leaders to come together to discuss these issues and find ways of addressing them. Another is the models provided by NPPFs, such as Narada, YouChange, Vantone, and Alashan SEE, which took an early leadership role in promoting grant-making. Foremost among these is Narada which has been the most consistent in its support of the development of civil society and philanthropy in China, and has established programs such as the Gingko Fellows Program (*yinxing jihua*) and the Bright Way Program (*jinghang jihua*) to provide core support to leading grassroots NGOs. As comment 11 in Table 2 points out, a major reason for the lack of grant-making is that Chinese foundations lack a critical mass of successful role models in this area. Narada has become such a model and was cited by several newer foundations such as the China Charities Aid for Children Foundation, Xiping Foundation and the Dunhe Foundation, as playing an important part in influencing their decision to engage in grant-making.

Another promising development is taking place among smaller, more local or community-oriented foundations such as the Guangdong Harmony (Qianhe) Foundation, Western Sunshine Foundation, China Charities Aid for Children Foundation (CCACF), and the Shanghai United Foundation. With the exception of Western Sunshine which at this point is still largely an operational foundation and has only one grant-making program, the rest have a strong commitment to grant-making and supporting grassroots NGOs. Western Sunshine which works in the area of improving rural education sees itself as an operational grassroots NGO and took advantage of the 2004 Foundation Regulation to register as a local NPPF. But because of its grassroots origins, it felt an obligation to do some grant-making and started up a grant-making program in 2010 as soon as it had accumulated sufficient funds.

Guangdong Harmony, Shanghai United, and CCACF have set up creative platforms to help raise funds for grassroots NGOs. Guangdong Harmony, a NPPF, solicits private donations from small and medium-sized companies and other local NPPFs in Guangdong, and even international foundations such as Oxfam Hong Kong and Rockefeller Brothers Fund. It then uses those donations to fund the work of grassroots NGOs in areas such as environmental protection and labor (Interview with foundation staff in Guangzhou, May 30, 2014). When asked if their corporate

and local NPFF donors were wary about donating funds that would go to grassroots NGO projects, the Guangdong Harmony staff member responded that they were initially. But the foundation found that if they explained that grant-making was a more sustainable way to get support to target communities, and were clear in their monitoring and evaluation of these projects, the donors would generally understand. She also added that the corporate donors did not care that much if the NGOs did not promote their brand because they were mostly small and medium-sized manufacturing enterprises that did not have a strong brand identity.

As PFFs which contribute a substantial part of their resources to grant-making to grassroots NGOs, Shanghai United and CCACF stand out as exceptional cases in the PFF landscape. Both not only do grant-making but also provide other forms of resources and support to grassroots NGOs. One of those resources is their public fundraising power which they confer on grassroots NGOs through the mechanism of special accounts (*zhuangxiang zijin*) managed by the foundation. Through these special accounts, NGOs are then able to raise funds through public channels to directly support their own work (Wang 2010b). In addition to the special accounts, CCACF also engages in “joint fundraising” (*lianhe quanmu*) with grassroots NGOs. The concept of “joint fundraising” follows the U.S.-based United Way model in which CCACF partners with NGO partners to carry out fundraising using CCACF’s online and offline platforms and logo. The CCACF executive director noted that they discovered giving seed funding to grassroots NGOs was often not sufficient, and that “joint fundraising” helped build their capacity further because by participating in the fundraising, the NGOs learned how to appeal to donors and the importance of transparency and accountability in strengthening donor trust in them.

Keeping in mind our argument about developmental pathways, these foundations have a few things in their favor that allowed them to bridge the divide between foundations and grassroots NGOs. Perhaps the most important is that their own developmental pathways overlapped with those of grassroots NGOs. The most obvious cases are Guangdong Harmony, Shanghai United and Western Sunshine whose core founders and board members come from the grassroots NGO sector. Guangdong Harmony’s key founders and board members all have substantial experience in the NGO sector. Their main founder studied NPO Management at Harvard, founded the Lion’s Club in Guangzhou and was secretary-general of another grant-making NPFF, Alashan SEE. Another key board member has directed the Civil Society Research Institute at Sun Yat-sen University for years. Shanghai United’s founder and main investor is the NGO Nonprofit Incubator (NPI) which was set up to incubate grassroots NGOs. Western Sunshine, as already mentioned, started off as a grassroots NGO which was founded and later managed by people who had been instrumental in founding one of China’s first grassroots environmental NGOs, Friends of Nature. Among these four foundations, CCACF’s development has probably the least overlap with grassroots NGOs. It was founded by three officials who had retired from the Communist Youth League, so it started off being very much inside the official system, but their advisor was Xu Yongguang who headed the Narada Foundation and had also spent much of his earlier career in the Youth League, and advised CCACF to do grant-making.

Another factor is that these foundations are quite young, smaller in scale and more local in their orientation. Their relative youth is particularly important in the case of the two PFFs, CCACF (2010) and Shanghai United (2009). Both were able to register during a period when it has become easier to register as a local PFF. In the past, registering as a PFF generally required close ties with someone in the official system, but in recent years a few foundations founded by grassroots NGOs or private individuals such as Jet Li have managed to register as a local PFF. As a result, we now have a few PFFs being established that are structurally not part of the official system and culturally were not raised in China's statist philanthropic environment, and thus have more room to maneuver in terms of their orientation. The local or community-oriented nature of the foundation may also be important in alleviating concerns about grassroots NGOs not doing enough for the foundation or corporate brand. As the case of Guangdong Harmony suggests, local SMEs and NPFf donors appear to be less concerned about brand, although CCACF admits it is still difficult getting some corporate donors to agree to use their donations for grant-making. In 2013, the percentage of CCACF's budget devoted to grant-making declined from 70–80% to about 40%, although the number of NGOs they supported rose slightly (Interview with foundation staff in Beijing, May 23, 2014). This trend may be a concession to their donors, and suggests that PFFs do have more disincentives to do grant-making than NPFf as long as corporate and public donors continue in their present mindset.

These cases show that, given the right conditions and using creative mechanisms to reduce donor concerns about risk and brand, a small but growing number of foundations have been able to overcome the developmental legacies discussed here. Generally, these cases will be found more often among NPFf than PFFs, among foundations whose founders and board members have been influenced by other grant-makers, and among younger, smaller, more locally oriented private, community and family foundations where concerns about risk and brand are less pronounced. Even for PFFs, the examples of CCACF and Shanghai United show that donor concerns about risk and brand can be addressed through donor education and other creative means to support grassroots NGOs such as the use of "special funds" and "joint fundraising" which lowers the risk to the foundation and places more of the responsibility and accountability for the funding on the NGO itself.

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#### **Compliance with Ethical Standards**

**Conflict of interest** The authors declare that they have no conflict of interest with respect to the research, authorship, and/or publication of this article.

**Ethical Approval** All procedures performed in studies involving human participants were in accordance with the ethical standards of the institutional and/or national research committee and with the 1964 Helsinki declaration and its later amendments or comparable ethical standards.

**Informed Consent** The data collection involved interviews with adult workers in nonprofit organizations and the government system. Oral informed consent was obtained in the interview scheduling stage and at the beginning of each interview. The oral informed consent includes clear explanation of the research purposes, interview procedure and contents, potential risks and benefits, ways to ensure confidentiality, and voluntary participation. Formal written consent form was intentionally avoided because of the particularity of the Chinese culture and government controls over the nonprofit sector: interviewees usually do not feel comfortable signing the form and seeking written consent can have the effect of making the interviewees less candid in their responses. In addition, because the interviews sometimes required them to provide a critical assessment of the government-controlled philanthropy sector, the interviewees sometimes expressed their preference not to leave their names on any records.

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