

## Update on Civil Society, Giving, and Charity in China

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### Making it easier to register/set up an organization

- There have been significant changes in the interpretation of both the social organization and foundation regulations making it easier to register and operate CSOs in China. MCA officials have indicated publicly that the ministry itself will serve as a “one-stop-shop” for registration of associations (social organizations) and foundations working in fields that are within its areas of competence, such as poverty alleviation and social welfare. This is a new national level policy and applies to all SOs and foundations. In addition anecdotal evidence from one provincially registered foundation that it is working throughout China (without being nationally registered) was confirmed by a national level MCA official as being due to a new policy change that will make it easier for CSOs to perform good works throughout the country. This person also suggested that the foundation regulations may soon be amended to conform them to what has become accepted practice.
- China’s provinces and municipalities are creating new entities to encourage public benefit work in communities. According to a recent work in progress posted to [SSRN](#), Karla W. Simon and Hang Gao report that various provinces and municipalities in China have created the means for Chinese organizations -- called Community Civil Organizations -- to be formed at the local level through a process called documentation. Although some of these are purely mutual benefit organizations, many are public benefit organizations and may qualify for donations from outside China.

While the tax law and [Circular 123 of 2009](#) promulgated pursuant to it and dealing with tax deductibility would not grant Chinese citizens a tax deduction for donations to documented (as opposed to registered) organizations, meetings with Ministry of Civil Affairs (MCA) officials suggest that this may change in the future. Under the proposed Charity (*Cishan*) Law, documented NGOs that serve the public (*gong yi*) could be considered to be charities, which would mean that a new interpretation of the tax laws would be warranted. While the Charity Law is on hold for the time being, this is a hopeful sign.

- In a related development, Yunnan Province announced a procedure for the “documentation” of foreign NGOs, which is analyzed by Karla Simon in a post on the [ICCSL website](#). This will permit INGOs to have a level of legal existence in China that they have been denied until now. Under the current (1998) regulations for social organizations (associations), foreign NGOs are not permitted to register. While foreign foundations may register under the 2004 foundation regulations, many of the foreign entities currently operating in China through branch offices are not foundations. Thus, this new system will allow a process for their recognition as Chinese legal entities, not branches of foreign entities, and this may eventually be scaled up to the national level.

- Another related development is the registration in the Pudong District of Shanghai of many *minban fei qiye danwei* (*min fei*) organizations in connection with the Non-Profit Incubator (NPI). Although the Shanghai government is known as being somewhat difficult and inflexible, NPI's founder Lü Zhao, said in a 27 July 2010 interview, that he was able to persuade the Pudong District government that this is a useful effort to aid in the provision of social services in the community. NPI also publishes a monthly magazine, Social Enterprise.

## Philanthropy-related developments

- A new philanthropy research institute has been created at Beijing Normal University according to a post on the Wall Street Journal's [Realtime China Blog](#). Wang Zhenyao, the head of the institute, is calling on all Chinese billionaires to donate a million yuan a year to charity. For the past two decades, Mr. Wang worked at MCA, and he is famous in China for his efforts to help victims during the 2008 Sichuan Earthquake. He has also promoted care for orphans and asked the government for more money for the elderly. But Mr. Wang wants more than government support for China's poor, and he wants professional, sustainable, private philanthropy to grow. To encourage such developments, he has left the ministry to head the new Beijing Normal University One Foundation (One Foundation is Jet Li's charity) Philanthropy Research Institute full-time.

While Wang has long been a firm believer in the importance of charity, one of his subordinates says that makes him "a rather lonely person" in official circles, according to a [21st Century Business Herald article](#). Charity is an emerging field in China, a sign of economic growth and a response to rising inequality. Traditionally, financial assistance came either from the state or from extended family networks. The Chinese government has long spoken of "serving the people" and "serving society." However, China lags behind Western countries in private donations. The Chinese Civil Affairs Development Report shows that the country received 6.86 billion yuan (just above \$1 billion) in donations in 2009, according to [a recent China News article](#) (also see the statistics below).

- The Wall Street Journal's [Realtime China Blog](#) reported that some of China's most recognized philanthropic leaders gathered in Beijing recently for the launch of the China Foundation Center (CFC), a new organization that aims to help increase the transparency of Chinese charitable groups, which have sometimes struggled with public suspicion of mismanagement and even corruption. Chinese and international philanthropic leaders gathered for the launch ceremony, including Peter Geithner, father of the U.S. Treasury secretary and a former longtime leader in the Ford Foundation, Shang Yusheng formerly of the China NPO Network, and Xu Yongguang, founder of Project Hope, China's largest non-governmental social welfare group. Many of them described the new organization's launch as mirroring crucial steps taken to improve the transparency of the charitable sector in the U.S. in the 1950's. Zhuang Ailing, former head of a civil society support organization in Shanghai, will head up the new initiative, which has been guided in its development by the Beijing office of the Ford Foundation.

Commentators clarify that the CFC will work closely with MCA to make foundations more transparent. CFC plans to bolster trust in Chinese foundations by making information about their activities available to the public—thus hopefully encouraging more participation in charitable work. [The center's website](#) will initially archive data on more than 1,800 foundations across China. In addition, some non-foundation CSOs have indicated their regard for this development by asking to be included in the database.

- The first billion dollar contributor to charitable causes has been recorded in China. Yu Pengnian's journey from poor street hawker to Hong Kong real-estate magnate was already a remarkable one, [according to the Globe and Mail](#). Then the 88-year-old did something even rarer that shocked many in increasingly materialistic China: he gave it all away. Saying he hoped to set an example for other wealthy Chinese, Mr. Yu called a press conference in April to announce he was donating his last 3.2 billion yuan (about \$500-million) to a foundation he established five years earlier to aid his pet causes – student scholarships, reconstruction after the 2008 Sichuan earthquake, and paying for operations for those like him who suffer from cataracts. With that endowment, Mr. Yu became the first Chinese national to give more than \$1-billion to charity, now having contributed almost \$1.3-billion in cash and real estate to the Yu Pengnian Foundation.<sup>1</sup>
- The China Charity Donation Information Center of MCA in partnership with the Shanghai NPO Development Center completed its report on Diaspora Giving to China 2008-2009. As part of the Asia Pacific Philanthropy Consortium's (APPC) Diaspora Philanthropy Grants, which provided seed money for specific research activities that lead to making operational databases that will map out the dynamic relationships being cultivated from the giving end to the receiving end. These grants were awarded to organizations in China, Pakistan, the Philippines and Bangladesh in July 2009 to conduct various database studies on Diaspora giving to home communities, as follow up work to APPC's 2008 regional conference "Diaspora Giving: An Agent of Change in Asia Pacific Communities?"

#### Highlights of the China Report on Diaspora Giving

- Between 1 January 2008 and 30 June 2009, 24 provinces and municipalities in Mainland China received Diaspora giving valued at RMB 6.7 million from Hong Kong, Macao, Taiwan and overseas Chinese around the world.
- Sichuan province received the most donations due to the Earthquake and snow disaster in early 2008, receiving 37% of the total Diaspora giving to China.
- Second biggest receiver was Beijing, receiving 19.6% of diaspora monies. The city of Beijing houses majority of national charity organization headquarters, such as the China Red Cross Society and China Charity Federation.

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<sup>1</sup> Mr. Yu also commented that his heirs would be fine "if they are competent." This echoes the statements of the famous ancient Chinese philanthropist Shu Guang when he gave away most of the gift of gold he had received from the emperor as a retirement gift and alluded to the fact that keeping it might make his dependents "lazy." See Mark Edward Lewis, *Gift Circulation and Charity in the Han and Roman Empires*, in *ROME AND CHINA* (Walter Scheidel, ed.) (Oxford: Oxford University Press, 2009), at 129-130, citing the *Hanshu*.

- Individuals compose the largest composition of givers followed by overseas Chinese groups and organizations and overseas Chinese enterprises.
- Diaspora funds received in this period were allocated to disaster relief, education, science and sports, poverty alleviation and development.
- Seeing the response of overseas Chinese, provincial and municipal governments passed related overseas donation regulations, which provide policy support and guarantees to further enhance the overseas Chinese donations' impact.

Email to [info@asiapacificphilanthropy.org](mailto:info@asiapacificphilanthropy.org) for more information or the full report.

- China's efforts to reduce overseas funding to NGOs whose work the government does not appreciate resulted in the promulgation of a Circular by the State Administration of Foreign Exchange. The new procedures will make it more difficult for NGOs that are not registered with the Ministry of Civil Affairs to receive overseas grants. The Circular is analyzed in a post to the [ICCSL website](#). Foundations with offices in China say that they are abiding by the new regulations.