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Catalyzing Social Investment in China

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About This Report

This report was written by Brooke Avory and Adam Lane, with support from the following staff members from BSR's global team: Kara Hurst, Jeremy Prepiscius, Elissa Goldenberg, Cammie Erickson, and Lewis Xie.

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ABOUT CIYUAN

BSR's three-year CiYuan (China Philanthropy Incubator) initiative builds innovative cross-sector partnerships to enhance the value of social investment in China. With guidance from international and Chinese leaders in the field, CiYuan improves the capacity of local foundations and NGOs to serve as durable and effective partners with business. Ultimately, CiYuan will integrate philanthropy with core business strategy, foster collaboration, and inspire innovation.

Visit www.ciyuan.bsr.org for more information or to sign-up for the CiYuan newsletter.

ABOUT BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.

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1. Introduction

In May 2008, an earthquake hit the western Chinese province of Sichuan, taking 80,000 lives and displacing millions of others.¹ The disaster, which destroyed 21 million buildings and pushed 10 million people below the poverty line,² brought global attention to China and the many social and environmental challenges the country faces.



The earthquake inspired an increase in donations from RMB13.3 billion in 2007 to RMB76.4 billion in 2008³ and highlighted philanthropy as an important approach to addressing these issues. Coupled with this increased focus on philanthropy was a sharp increase in public transparency that manifested in a variety of ways. The public focused not only on donations in generic terms (highlighting companies that responded well) but also on specific international and domestic businesses that, they claimed, were *not* “doing enough.”

After the initial rush of donations had passed, the disaster and the large donations triggered public scrutiny and transparency over the use and impact of charitable funds. Several years later, transparency-related scandals continue to appear in mainstream news. Increased access to the internet and growing use of social media enable the public to both participate in philanthropy and monitor the social investment activities of a range of different actors, including business, nonprofits, and even, at times, local government.

¹ Brian Hoyer, “Lessons from the Sichuan Earthquake,” Issue 43, *Humanitarian Exchange Magazine*, 2009, www.odihpn.org/report.asp?id=3008.

² *Third Report of Session 2008–09, Volume I: 9*, House of Commons International Development Committee DFID and China, 2009, www.publications.parliament.uk/pa/cm200809/cmselect/cmintdev/180/180i.pdf.

³ *The Statistical Report of Civil Affairs Development in 2008*, Ministry of Civil Affairs of the People’s Republic of China, 2009, <http://cws.mca.gov.cn/article/tjbg/200906/20090600031762.shtml>.

BSR's CiYuan program serves as a platform to facilitate cross-sector dialogue and invest in a partnerships approach. The program leverages business's core competencies, foundation's assets, and the nonprofit sector's ability to engage the community.

In an effort to assess the opportunities for social investment in China, BSR interviewed government, nonprofit, think-tank, media, and private-sector leaders to capture their visions for the future of the country's social sector. In this paper, we explore these leaders' views of the defining issues, challenges, and opportunities shaping the growth of social investment in China.

2. Executive Summary

In this paper, we analyze the various forces driving social investment in China. We define *social investment* as the contribution of resources by business, foundations, or nonprofits toward the creation of social, environmental, and economic development (also termed *strategic philanthropy* or *community investment*). As China rapidly changes, the expectations for, and implementation of, social investment programs are changing quickly as well.

The fivefold growth in donations from 2005 to 2009⁴ and recent surge in volunteering⁵ means that people are increasingly engaged in philanthropy, while the very wealthy are establishing private foundations as a more direct way to channel their giving. Meanwhile the influence of information and communication technologies drives increased demands for transparency in the nonprofit sector, particularly following a string of recent incidents involving the Chinese Red Cross (officially named the Red Cross Society of China).

Government-organized NGOs (GONGOs) have traditionally dominated the sector because regulations have favored them and they have received support from the government, while grassroots nonprofits have struggled to register and to raise funds. However, there is some hope for nonprofits within the current regulatory environment. The government has relaxed their policies in some regions, and some public foundations are awarding grants to grassroots nonprofits or using their favorable registration and fundraising privileges to help them. Yet the nonprofit sector still cannot meet the country's social, environmental, and economic challenges.

While businesses face risks from not understanding local sentiments favoring social investment that is manifesting in wide-scale social media campaigns, they also face opportunities to better engage staff and customers and distinguish themselves from competitors by developing innovative partnerships with nonprofit partners. They can build such partnership by leveraging their know-how, brands, products, and employees' skills.

Social media and ICT, partnerships with business, and the flexibility of local government are the three key factors shaping the future of social investment in China. These factors will help to engage the public and build trust, provide the resources for nonprofits to increase their capacity and scale-up, and create an environment for nonprofits to thrive.

Finally, we propose specific roles and actions that the various stakeholders we identify as shaping social investment in China can take. A shared vision and commitment are necessary to boldly address the tremendous social, environmental, and economic challenges facing the country. Undoubtedly progress will be defined by how successfully cross-sector partnerships use each player's resources.

⁴ *The Statistical Report of Social Services Development in 2010*, Ministry of Civil Affairs of the People's Republic of China, 2011.

⁵ For example, membership of the China Young Volunteers Association (CYVA) increased from 25 million in 2008 to 31 million in 2010. See "China Volunteer Organization Receives Biggest Donation," *Xinhua*, July 11, 2008, <http://english.sina.com/china/1/2008/0711/171050.html> and *The Third Member's Congress of CYVA*, China Communist Youth League Network, December 5, 2010, www.zgzyz.org.cn/content.php?id=71580&cid=21073.

3. The Changing State of Social Investment in China

“Thirty years of phenomenal economic growth has come at great social and environmental costs, leaving an imbalance that the [Chinese] government is addressing through a “scientific outlook on development.” . . . Clearly, the private sector has a role to play in correcting this imbalance by leveraging its resources and expertise. Unfortunately, this has not been tapped as well as it could be in China.”

— **William Valentino, Professor at Beijing Normal University’s China Institute for Social Responsibility and former Vice President, CSR, Bayer China**

Chinese civil society has emerged out of the need to support the government’s sustainable development efforts. Since the economic reforms of the 1980s, Chinese citizens have experienced new economic freedoms, such as the ability to start their own business and to purchase property. Economic development became the government’s primary strategy for growth, which in turn aimed to increase social well-being.

Over the past 30 years, income levels and standards of living have increased dramatically. By China’s official poverty standard, the poverty rate (headcount ratio) in rural China fell from 18.5 percent in 1981 to 2.8 percent in 2004, and the number of rural poor declined from 152 million to 26 million. Even measured by the new international poverty standard of US\$1.25 per person per day (using 2005 Purchasing Power Parity for China), the levels of poverty are higher, but the decline since 1981 is no less impressive (from 85 percent in 1981 to 27 percent in 2004).⁶ Those who have benefited from this extraordinary economic growth are now beginning to think about the many social and environmental issues that affect them and their broader society. This is generating a growing interest among Chinese citizens in—and action toward—addressing these issues.

“As a core value of our society, deeply rooted in our philosophy that emphasizes helping our family, our clan, our neighbors, and our communities . . . philanthropy should become a cultural value we pursue and a lifestyle that we choose.”

—**Peng Jianmei, Director, China Charity Donation and Information Center, Ministry of Civil Affairs**

The nonprofit sector has grown rapidly in China. Registered nonprofits, which include social organizations, popular non-enterprise units (PNEUs), and foundations, grew from 6,100 in 1978 to 211,000 in 2001⁷ and then to 345,000 in 2006,⁸ more than fifty-fold in less than three decades. In 2010, this number reached 444,000.⁹ It is also estimated that between 1 and 1.5 million social organizations are unregistered or are registered as companies.¹⁰

Despite this exponential growth, the infrastructure to support the sector has emerged at a much slower pace. The government issued the first regulation for

⁶ *China—From Poor Areas to Poor People: China’s Evolving Poverty Reduction Agenda—An Assessment of Poverty and Inequality in China*, Report No. 47349-CN, World Bank, 2009.

⁷ Yiyi Lu, *NGOs in China: Development Dynamics and Challenges*, Discussion Paper 18, China Policy Institute of the University of Nottingham, 2007.

⁸ *The Statistical Report of Civil Affairs Development in 2008*, Ministry of Civil Affairs of the People’s Republic of China, 2009, <http://cws.mca.gov.cn/article/tjbg/200906/20090600031762.shtml>.

⁹ *The Statistical Report of Social Services Development in 2010*, Ministry of Civil Affairs of the People’s Republic of China, 2011, www.mca.gov.cn/article/zxgx/201106/20110600161366.shtml?2.

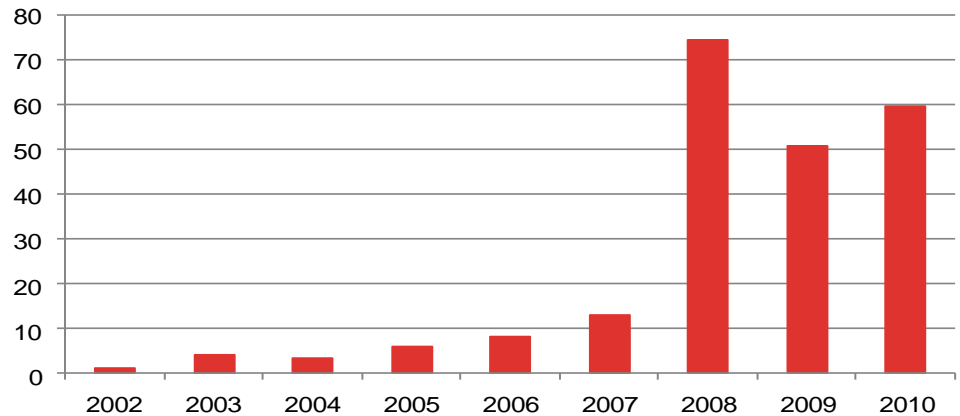
¹⁰ Deng Guosheng, “The Hidden Rules Governing China’s Unregistered NGOs: Management and Consequences,” *The China Review*, Vol. 10, No. 1, 2010.

both social organizations and PNEUs in 1989¹¹ and the first for foundations in 1988.¹² It took until 1998,¹³ for the Ministry of Civil Affairs (MoCA), the government department responsible for the administration of the charitable sector, to establish three separate departments¹⁴—Civil Society Organization Authority, Social Welfare and Affairs Division, and NGO Service Center.¹⁵

The sector experienced a landmark year in 2004 when MoCA revised the foundation regulations to differentiate private and public-fundraising foundations (also known as GONGOs for their close ties to the government) and allow private foundations to register for the first time.¹⁶ The regulations also provided new foundations with procedures and conditions for registration and clear directions on governance, endowments, and fundraising; the rights of donors and beneficiaries; and a framework for a foundation’s structure and operations.

In addition to these structural changes, a major shift in the composition of donations in China occurred. Firstly foreign donations dropped from 28 percent to 14 percent¹⁷ of total donations from 2007 to 2009, and charitable donations surged to reach a record high of RMB74.45 billion (US\$10.9 billion)¹⁸ in 2008, when the earthquake spurred a national push toward giving. Graph 1 shows the upward trend in donations, which more than tripled from 2003 to 2007 and has continued to grow.

Graph 1: Total charitable donations from 2002-2010 (RMB billion)¹⁹



The majority of these donations were given directly to government departments and GONGOs, such as the Chinese Red Cross. The number of private foundations also increased from 0 in 2004 (when private foundations’ legislation was passed) to more than 1,000 in 2010²⁰ as wealthy individuals channeled their giving to specific organizations and causes.

¹¹ “Social Organizations Registration Regulations,” Ministry of Civil Affairs of the People Republic of China, published by the State Council of China on Oct. 25, 1989. Chinese name: 社会团体登记管理条例.

¹² “Foundation Management Practices,” Ministry of Civil Affairs of the People Republic of China, published by the State Council of China in 1988. Chinese name: 基金会管理办法.

¹³ “Notice of Setting Departments,” Announced by the State Council, National Document No. 5, 1998.

¹⁴ Chinese names: 民间组织管理局, 社会福利和社会事务司, 民间组织服务中心.

¹⁵ The NGO Service Center was only fully established in 1999.

¹⁶ “Regulations on the Management of Foundations,” Ministry of Civil Affairs of the People Republic of China, published by the State Council of China in 2004. Chinese name: 基金会管理条例.

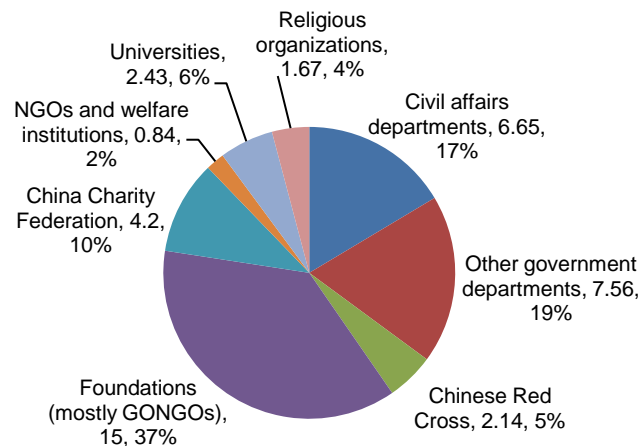
¹⁷ *China Charitable Donation Report 2009, Second Edition*, Ministry of Civil Affairs of the People’s Republic of China, 2010.

¹⁸ *2009 Annual Report on Charitable Donations in China*, China Charity Donation and Information Center.

¹⁹ *The Statistical Report of Social Services Development in 2010*, Ministry of Civil Affairs of the People’s Republic of China, 2011.

²⁰ Foundation Center Website, Accessed on October 27, 2011, www.foundationcenter.org.cn.

Chart 1: Proportion of donations received (RMB billion, %)²¹



While the growing dollar amount of donations is encouraging, the donations' impact also deeply matters. Frustrated by the lack of information about how their donations have been used, individuals and corporate donors are demanding increased transparency from organizations. In light of growing public concerns about transparency, the China Charity Donation and Information Center (CCDIC) published a report in 2011 on the state of charity sector transparency in China. The CCDIC reviewed the disclosure practices of 99 nonprofits and found that only 35 percent disclosed information related to their finances; and only 10 percent of the public, also surveyed in this process, expressed that they were partly or very satisfied with the state of information disclosure.²² As we explain in the section on transparency and the internet (see page 19), transparency has evolved to be a major issue facing the nonprofit sector in China.

A rise in volunteering has also been changing the social investment landscape. The most notable example in the past few years: the influx of more than 100,000 volunteers to Sichuan for post-earthquake reconstruction (adding to the 1 million volunteers from within Sichuan)²³ and of 1.7 million volunteers at the 2008 Olympics in Beijing.²⁴ Though these were only one-off events, the government's sustained support and encouragement has ensured this movement's continued growth nationwide, as demonstrated by the numbers of volunteers at the World Expo in Shanghai and the Asian Games in Guangzhou in 2010, and increase in registered volunteers nationwide—for example, membership of the China Young Volunteers Association increased from 25 million in 2008 to 31 million in 2010.²⁵

Despite these structural and human resources developments, nonprofits have been unable to keep up with the growing interest in addressing China's many economic, social, and environmental needs in a way that meets increasing public expectations for transparency and accountability. This void has created opportunities for different stakeholders to provide the infrastructure to support an eco-system necessary to sustain this growth and transfer the human, technical, and financial resources to nonprofits necessary for them to fulfill their potential.

²¹ 2009 Annual Report on Charitable Donations in China, China Charity Donation and Information Center, 2010.

²² 2010 Report of the Chinese Charitable Sector Transparency, China Charity Donation and Information Center, 2011.

²³ Zhang Chunxia, "Wenchuan We Are with You," In *Volunteer Campaigns in China*, New World Press, 2009.

²⁴ "1,700,000 Volunteers Welcome Olympic Guests," Official Website of the Beijing 2008 Olympic Games, Accessed on October 27, 2011, <http://en.beijing2008.cn/volunteers/news/n214527376.shtml>.

²⁵ "China Volunteer Organization Receives Biggest Donation," *Xinhua*, July 11, 2008, <http://english.sina.com/china/1/2008/0711/171050.html> and *The Third Member's Congress of CYVA*, China Communist Youth League Network, December 5, 2010, www.zgzyz.org.cn/content.php?id=71580&cid=21073.

4. The Key Stakeholders Driving Social Investment

The state of social investment in China will be affected by the actions of—and interactions among—the following stakeholders:

Government

Over the last 20 years, the Chinese government has been the primary force driving China's social and economic development. Traditionally, government has led or else approved social investment activities at many levels: provincial, city, district, county, township, and village. The government influences the flow of public and corporate donations toward government agencies or the nonprofits (generally GONGOs) it supports. The government has also begun to procure social services from nonprofits.²⁶ This shift positively affected the selected nonprofits by providing the financial security of regular income streams.

High-Net-Worth Individuals

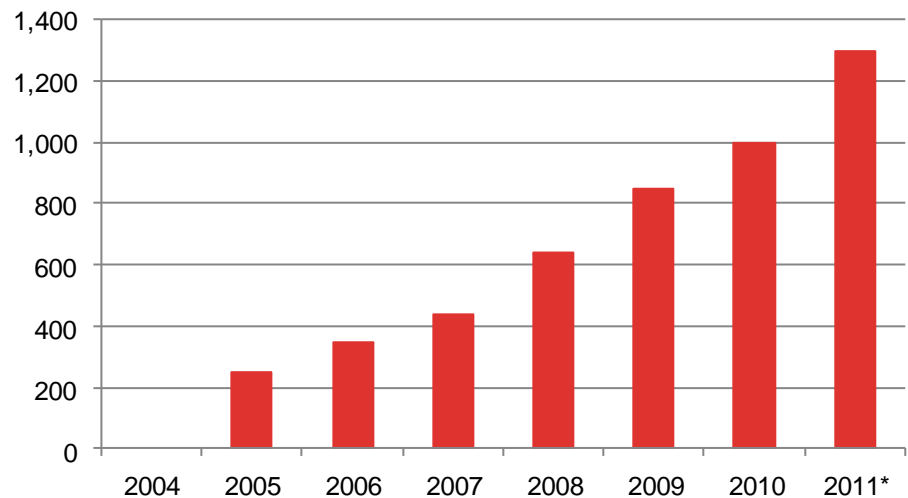
As China's booming economic growth has spurred personal wealth, wealthy individuals have looked for ways to give back. Some high-net-worth individuals are contributing to causes they are passionate about or are changing the communities where they made their fortunes. Others are establishing private foundations to carry out their philanthropic goals, contributing to the 30 percent growth rate in private foundations from 2006 to 2009.²⁷ Among them, entrepreneurs Cao Dewang and Chen Guangbiao are the most high-profile philanthropists in China, but they are well-known for very different approaches. In addition, celebrities like Jet Li and Yang Lan are leveraging their name and networks to promote philanthropy in China.

Cao Dewang has donated more than RMB4.4 billion and strives for effectiveness and transparency in the use of his money. Toward this end he recently negotiated strict conditions with the China Foundation for Poverty Alleviation (CFPA) for the use of his money. Although the conditions were strict, the CFPA found them acceptable and achievable.

Chen Guangbiao—who has publicly stated his claim to the title of “Top Philanthropist in the World”—has donated more than RMB810 million. Chen has taken a high-profile approach to his giving, promising to donate all his wealth to charity after he dies. According to him this approach is aimed at raising the profile of philanthropy and inspiring others to donate. Some people, however, have criticized one approach that he often takes: personally going to impoverished or disaster-struck areas and handing out cash.

²⁶ Li Dongyan, *The Government Enhanced Collaboration with Philanthropic NPOs*, 2008, www.chinanpo.gov.cn/web/showBulletin.do?type=pre&id=30446&dictionid=1500&catid=
²⁷ *China Foundation Industry Needs Assessment Report*, Mercy Corps, 2010.

Chart 2: Number of private foundations in China from 2004-2011²⁸



*As of October 27, 2011

Companies

Companies play an important role in supporting nonprofit sector development, with corporate giving making up 58.5 percent of all donations in 2009.²⁹ Over the last decade, companies have typically channeled their social investment funds toward GONGOs, partly as a means to build relationships with the government and partly because they generally have greater capacity than smaller social organizations do. Multinational companies and their international foundations have tended to be more adventurous than Chinese companies in supporting independent grassroots nonprofits through partnerships or financial contributions.

Apart from donations, companies can also contribute to the social investment sector by supporting employee volunteering and by sharing intellectual property, technology, or products. Lenovo, for example, is partnering with the nonprofit, NPI, to hold an innovation competition for university students; and Joyoung is partnering with the nonprofit, China Youth Development Foundation (CYDF), to provide funding, equipment, and technical expertise for the CYDF's Hope Kitchen project that aims to improve the nutrition and diet of rural Chinese schoolchildren (a project also involving the multinational company Kraft).

The Chinese Public

Individuals are becoming increasingly aware of how they can help address China's social and environmental issues. They are translating this awareness into action through giving and, in turn, demanding assurance that their funds are being used as they intended. Individuals are also becoming more actively engaged in philanthropy through online platforms, blogging, and volunteering. The Guo Meimei incident that happened during the summer of 2011, where a 20-year-old netizen claiming to be the commercial manager of a company under the management of the Chinese Red Cross boasted of her lavish lifestyle online, generated 600,000 posts a day³⁰ on *Weibo* (China's version of Twitter) about concerns over how charitable funds were being used. This example highlights the extent to which the public cares that nonprofits use donations responsibly;

²⁸ Various sources including China Foundation Center, www.foundationcenter.org.cn.

²⁹ *2010 Report on Transparency in China*, China Charity Donation and Information Center, 2010.

³⁰ Malcolm Moore, "China Turns Against Red Cross", *The Telegraph*, July 6, 2011.

the internet can attract attention to and facilitate discussion about philanthropy, leading to calls for increased transparency in the entire sector.

Southern Weekly, a leading weekly paper, summarized the situation in its 2010 end-of-year editorial:

“Individual awareness of rights is growing rapidly. More and more people are willing to participate in discussions of national importance which relate to their personal interests. They are happy to express their opinions on the popular topics of the day and are willing to be seen doing so. More and more people even dare to express their dissatisfaction with injustice and oppose it.”

Media

Mainstream media in China is becoming more actively engaged about uncovering stories and finding new issues that citizens value. This shift is driving awareness of social issues, sparking public debate, and in turn increasing pressure on business to act socially responsible. While some publications such as *Southern Weekly* are known for pushing the boundaries of investigative journalism, many press publications remain closely tied to the government, which can serve as a useful barometer of government opinion—and debate—on certain issues.

Nonprofits

Nonprofits in China are becoming increasingly commonplace. Of the close to 2 million registered and unregistered nonprofits, many operate with only a few staff members. A survey of 480 nonprofits found that 44.8 percent have fewer than three staff, including 10 percent that do not have a single full-time employee, while 88.5 percent of staff receive a salary less than RMB5,000 per month.³¹ Despite their size many provide important social services for disadvantaged groups and serve as outlets for citizens to contribute to society. These organizations do however, face many challenges, spanning from the current regulatory environment (which we explain further in section five) to a lack of resources necessary to attract, develop, and retain professional staff and expand their programs.

GONGOs occupy a favorable position in the nonprofit sector because of their strong connections to the government, established reputation, and ability to fundraise publicly. GONGOs are able to rely on local government chapters to execute their programs, which have tended to focus on poverty alleviation, education, and disaster relief.

³¹ *The Research Report of Philanthropic Human Resources Development in China*, Gongyi.net, Narada Foundation et al., 2010.

5. The Issues Defining Social Investment

At the end of 2011, four main issues define the social investment landscape in China. These issues include the changing role of the government and the regulatory environment, engagement by individuals, partnerships with business, and media and transparency.

The Changing Role of the Government and the Regulatory Environment

Despite discussions that started in 2004, the central government has yet to agree on legislation for a new charity law.³² This has notable impacts on nonprofits and is closely connected to the role that GONGOs play in the sector.

THE REGULATORY ENVIRONMENT'S IMPACT ON NONPROFITS

The current regulatory environment presents a major hurdle to the development of the nonprofit sector in China. With the exception of GONGOs, nonprofits without a government affiliate experience difficulty registering as a charitable organization and also lack the legal right to fundraise publicly. At local levels of government, there are some examples of a relaxation of the current registration regulations³³ that require nonprofits to find a local government authority willing to take on the risk of supervising them, which takes time and is difficult. Nonprofits that provide critical social services that are in line with the government's agenda may find it easier to secure a government sponsor to bear responsibility for their registration and supervision or may be able to register under the local Bureau of Civil Affairs. However this does not address the restriction that even registered nonprofits are unable to publicly fundraise leading to severe financial challenges.

Many groups unable to register as a legitimate nonprofit can use loopholes that allow them to register as companies or individuals, or they can choose to exist as unregistered entities. When they choose any of these options, however, they miss out on the advantages that come with having legal status as a charitable organization, such as tax relief, and the public may be more suspicious of charities registered as businesses. In the last two years some GONGOs and other public foundations, such as Shanghai United Foundation and China Social Welfare Foundation, have been willing to use their right to fundraise publicly to help raise money for grassroots nonprofits—a promising development.

“China is so vast, and the local contexts and cultures vary a great deal. We should encourage and allow different models to exist and flourish. Our policies should support the diversified development of the nonprofit sector, allowing enough space for different ideas to grow and develop. For example, in Beijing, there are more resources and influential leaders who can drive their organizations and the sector as a whole.

In underdeveloped areas, however, the government is and should be the main driving force. In this case, those often working for charity foundations in local areas are mostly former government officials, and we should be supportive of their work to establish charitable organizations.”

—Peng Jianmei, Director, China Charity Donation and Information Center, Ministry of Civil Affairs

³² Interview with Zheng Gongcheng, member of the National People's Congress (NPC) Standing Committee and the NPC Legislation Committee for Civil Affairs in *People's Daily* on September 7, 2011, <http://legal.people.com.cn/GB/15604047.html>.

³³ *Regulation Reform for China's Nonprofits*, September 1, 2011, last accessed on October 27, 2011, <http://blog.socialventuregroup.com/svg/2011/08/regulation-reform-for-chinas-nonprofits-.html#more>.

Although there is no simple solution to the regulatory challenges facing nonprofits, with the support of and endorsement from the Ministry of Civil Affairs, local governments are piloting innovations in local regulation or registration to foster gradual change and bypass barriers. Examples include direct regulation for nonprofits without a government agency sponsor in Beijing, new local charity regulation in Jiangsu, and one-stop registration services for nonprofits in Shanghai. At this stage it is still difficult to see whether these pilots will lead to nationwide changes in nonprofit regulations that will help nonprofits flourish.

GONGOS' INFLUENCE ON THE NONPROFIT SECTOR

Unique to China, GONGOs and large social organizations under government supervision are dominant players in the nonprofit sector in the country. With the ability to raise funds publicly, GONGOs dominate the pool of public donations.

“The biggest challenge is the government monopoly over the charitable sector. These government-organized NGOs lack both the internal drive and external pressure to make positive change, leaving the public with limited options for whom to donate money to. I do see a critical need for policy change to spur impact.”

**—Xu Yongguang, Chairman,
Narada Foundation**

Because of their close government ties, GONGO programs typically address large national social development issues, such as poverty alleviation, disaster relief, health care, and education. Many run traditional programs, which are household names, such as Project Hope, established up by CYDF, which brings education to impoverished parts of China. Some GONGOs are reinventing their image by designing new programs with domestic and international companies such as the 2010 Beyond Love program sponsored by CYDF and Nike, which disperses grants to youth teams to help them change their communities through sport.

The China Foundation for Poverty Alleviation (CFPA) is an example of a GONGO that has begun reforming itself. With the Chinese Red Cross and Narada Foundation, CFPA issued more than RMB13 million in grants to grassroots nonprofits from 2009 to 2010 to support disaster relief and reconstruction. The CFPA is also becoming more accountable to donors by reporting and engaging beneficiaries in program design and implementation.

“The guiding principle behind the CFPA is that we meet our responsibility to two types of clients. First, we have our clients that contribute their time, money, or products to the causes that the CFPA supports. Second, we have our beneficiaries; if we cannot reach people in need, we are doing an injustice to the public who provides for them.”

I believe that charitable organizations should be operated as a business. All the fundamental principles for business operations apply to nonprofit organizations. NGOs have to be clear about what products or services they are able to deliver, and they must have a clear marketing strategy to reach their beneficiaries. We (NGOs) need to deliver our services or products in a cost-effective way.”

**—He Daofeng, Vice President,
China Foundation for Poverty Alleviation**

The One Foundation, a private foundation turned public-fundraising foundation, is another public foundation that provides grants to nonprofits: In 2010 six nonprofits received RMB1 million in funding as part of the foundation's Philanthropy Star program to promote the development of philanthropy in China. Other leading private foundations are also playing a role. The Society for Ecological Entrepreneurs provided RMB1 million to support the Green Choice Alliance coordinated by environmental advocate and director of the China Institute of Public and Environmental Affairs Ma Jun. This effort builds the capacity of independent grassroots organizations and supports their growth.

Regulations that affect the ability of nonprofits to register, fundraise, and attract partners and tax concessions will either nurture or hinder the development of social investment in China. Within this environment, GONGOs can affect the sector's robustness by leveraging their ability to fundraise to support grassroots nonprofits and drive increased transparency, accountability, and public participation in philanthropy.

Engagement by Individuals

Individuals can contribute to society in China in many ways. They can contribute financial resources, donate their technical and professional skills to a nonprofit, or contribute their time as a volunteer.

INDIVIDUALS CHAMPIONING PRIVATE FOUNDATIONS

As of October 27, 2011, there were 1,296 private foundations in China.³⁴ Wealthy individuals are beginning to see private foundations as a way to channel their assets and address their personal strategies for social investment, often employing staff or relying on volunteers to carry out their missions. In this privileged position, wealthy and high-net-worth individuals have the power to establish private foundations that harness their skills as well as their financial resources to address social or environmental causes in effective ways.

“We need more wealthy entrepreneurs to be strategic social investors; they have the potential to drive social impact in China. We have a little more than 2,000 public and private foundations, but imagine if we had 10,000 foundations and a million professionals in the philanthropy sector: We could fundamentally change the landscape of the nonprofit sector.”

***—Wang Zhenyao, President, One Foundation
Philanthropy Research Institute, Beijing Normal University***

A PROFESSIONAL WORKFORCE

Chinese nonprofits' ability to flourish depends greatly on their ability to attract and retain qualified staff, which has been a significant challenge so far. The supply of individuals with nonprofit sector experience and qualifications is limited but growing—attributable to several universities in China that have established civil society research institutes and masters programs specializing in nonprofit sector administration programs. The Tsinghua NGO Research Center established in 1998 was the first center in China dedicated to civil society research and master's programs. Since then, other prominent Chinese universities such as Sun Yat-Sen University, Beijing University, and Renmin University have also set up civil society research institutes.

Despite a growing professional workforce and an increased awareness of nonprofits inspiring more people to inquire about careers with them, limited human resource budgets—even in international NGOs—restrict the sector's ability to attract and retain quality staff. This limitation has brought negative short-

³⁴ China Foundation Center website, www.foundationcenter.org.cn, Accessed on October 27, 2011.

term consequences, as professionals leave the nonprofit sector to join foundations or companies that offer more competitive and attractive remuneration. The upside to this “brain drain” is that employees with a diverse employment background can help create a better educated and informed donor community.

Experienced professionals are also flowing into the sector: Some business executives are establishing private foundations, such as Lao Niu, Bright China, and Zhen Wei Ning foundations whilst others are joining nonprofits as board members or as executives—Fuping Development Institute counts Liu Changzhi, President of Lenovo Holdings and Jack Ma, Chairman of Alibaba, amongst the several business leaders on its Board³⁵. While having such well-informed professionals on their side can help foundations and nonprofits understand and adopt businesslike approaches, nonprofits are more likely to recognize their full potential when their staff members also have sector-specific expertise.

“China is huge. In order to manage such a large country, we need people with an entrepreneurial spirit to start their own businesses. By introducing entrepreneurial education and training to China, I hope to give my target group, people who have learned their lessons by overcoming real-life challenges, the spirit of entrepreneurship rather than just vocational skills. Real innovation starts from the bottom, from people at the bottom, who are close to social and environmental issues, and are the first to know about them. Everyone in an organization is a gold mine if they are properly empowered and encouraged by the top management to take an initiative.”

—Shao Minglu, Founder, Bright China Foundation

VOLUNTEERING

By volunteering individuals can contribute to the organizations and causes they support. Volunteer programs can offer a meaningful way to engage the public and use their passion, time, and abilities to directly address social or environmental issues. Though the large quantity of volunteers are impressive (50 million community and youth volunteers are available at any time each year),³⁶ these statistics are skewed by large event-based volunteering, which may not have as great an impact on society or be as sustainable as other volunteer opportunities.

For business, employee volunteering tends to be an obvious solution for companies looking to engage staff in social investment activities. The role of corporate volunteers has received comparatively less attention than public volunteering, but several companies, such as Intel, Bayer, GE, China Mobile, and Baidu, have demonstrated a strong approach to corporate volunteering as part of their social investment strategy. Service providers, such as Fuping Development Institute or Horizon Corporate Volunteer Consultancy—some of whom are nonprofits—are playing an important role in helping design effective programs, as well as helping set up volunteer associations within companies.

Pro bono skill-based volunteering is a more effective way for companies to engage employees about providing professional services to nonprofits over an extended period and to greater effect. The legal field has led the way, but other professional service sectors are also getting involved: Shanghai-based We Design provides a platform for more than 20 volunteers and 100 professionals to provide their architectural skills pro bono. This kind of volunteering leverages employees’ skills and can build loyalty among staff and customers. Companies

³⁵ Fuping Development Institute, <http://www.fdi.ngo.cn/index.php?id=407>. Accessed Oct. 27, 2011.

³⁶ Jin Jianyu, “China to Launch First National Volunteer Association,” *Global Times*, Jan. 27, 2011.

can also share intellectual property, technology, or other products on an in-kind basis to support the development and capacity-building of nonprofits.

“Companies can leverage their employees’ wisdom and creativity, management systems and skills, technologies, and their ability to mobilize resources to enhance the value of social investment beyond just giving.”

**—Wang Zhenyao, President, One Foundation
Philanthropy Research Institute, Beijing Normal University**

In 2011, BSR facilitated an innovative partnership among Huizeren, Taproot Foundation, HP, and the Narada Foundation, to transfer Taproot Foundation’s pro bono model to China and address the need to have a skilled intermediary—in this case Huizeren—facilitate pro bono programs. This model helps corporate staff and professionals use their skills to build nonprofit capacity. It is an example of a new kind of cross-sector partnerships through which companies, nonprofits, and foundations can collaborate to contribute expertise, intellectual property, and funding to create a sustainable mechanism that can have a significant impact.

Partnerships with Business

Businesses play an important role in social investment in China, providing a great deal of the donations going into the nonprofit sector. They also have tremendous resources that could benefit the sector, such as their staff, products and services, brand, and expertise.

ROLE OF BUSINESS IN SOCIAL INVESTMENT

Few companies in China maximize the variety of resources at their disposal by aligning social investment activities with their core business. Growing public and government expectations combined with pressure from the media mean that business is under more pressure to support the communities in which they operate. However, according to the *Building Corporate Social Responsibility in China* blue book published in 2010, 78.5 percent of respondents believe that the main reason companies take part in CSR activities is to increase brand image.³⁷

“Unfortunately, philanthropy is often more about image or public relations and not enough about creating change or solutions. Companies continue to fall in love with themselves and their own images and do not reflect critically on their true impacts. More often, hype and short-term actions act as a smoke screen for the real impacts a company has through its operations. And in many cases, corporate philanthropy in China is about drawing attention to the company’s philanthropic efforts in order to cover up the company’s negative operational impacts.”

Companies need to be more realistic and honest. Corporate philanthropy in China is often mistaken for corporate social responsibility, but the latter is really about changing mindsets and focusing on sustainable development that balances people, profits, and the planet.”

—William Valentino, Professor at Beijing Normal University’s China Institute for Social Responsibility and former Vice President, CSR, Bayer China

³⁷ Chen Zhongxing, *Building Chinese Corporate Social Responsibility*, Blue Book, People’s Publishing House, 2010. Chinese name: 中国企业社会责任建设蓝皮书.

CROSS-SECTOR PARTNERSHIPS

Cross-sector partnerships can bring tangible benefits to companies, government, nonprofits, and communities that could not be achieved alone. Few nonprofits or companies in China fully recognize—or are able to realize—the value of partnerships. Partnerships can allow nonprofits and communities to benefit from companies’ technologies, knowledge, skills, business models, finance, and reach, while helping companies generate loyalty among customers and employees, strengthen their social license to operate, gain insights and new ideas for business development, and benefit from nonprofits’ experience.

For several years, Microsoft has worked with international and local nonprofits in China to train migrant workers and disadvantaged communities to use information technologies (IT) to improve their job opportunities and access information about their health and labor rights. This initiative meets Microsoft’s goal of expanding access to IT and engaging their employees in addressing the digital divide. This type of partnership also helps nonprofits access new tools to help their target populations and communities and facilitate knowledge exchange.

“We leverage our brand, experience, and passion for sport to enable the disadvantaged to transform their lives and to promote positive social change. Nike cannot make community investments without NGOs as we do not have the expertise, the community relationships, or the credibility that NGOs have. By working with them, we have learned a lot about local needs and how to work with communities and the government.”

***—Kelly Lau, Marketplace Director,
Sustainable Business & Innovation, Nike China***

There are few examples of successful and meaningful corporate-NGO partnerships in China. Both companies and nonprofits face challenges in establishing partnerships, such as finding capable partners and negotiating funding to cover the nonprofit’s management and operational costs and make joint programs sustainable.

Media and Transparency

The media plays an important role in engaging the public in philanthropy, enabling the demand for increased transparency in the sector, and communicating social values. The media can also partner with nonprofits and companies to drive change, influence behavior, and address social and environmental problems.

“Currently grassroots NGOs have the ability to access resources from the private sector, government, academics, volunteers, and the media. Compared to other resources, news reports are an effective way for NGOs to call out, attract public concern, and help them conduct advocacy on social issues. The media can help NGOs to effectively increase their public impact and position, as well as attract external resources.”³⁸

***—Meiyue Zhou, former Communications Director,
Greenpeace China***

³⁸ Meiyue Zhou, *Media Handbook for Grassroots NGOs*, Chapter 1.3.2.2, August 25, 2008.

WORKING WITH THE MEDIA

The environmental movement has taken the lead in defining values and issues by working with the media to promote environmental issues. Through media campaigns they have encouraged the public to reduce energy and plastic bag use, increase recycling, and buy from more environmentally friendly companies. China's first environmental grassroots nonprofit, Friends of Nature, launched a Green Choice campaign to help consumers make green purchases, and Global Village of Beijing, as well as international NGOs such as WWF and Greenpeace, are actively cooperating with companies to receive advertising panel space on subways as in-kind donations. WWF's Earth Hour campaign has a successful track record partnering widely with online media as well as companies. In 2010, 3 million families in 33 cities in China responded to this initiative saving 2,400 MWh of electricity.³⁹

Nonprofits' ability to leverage and interact with the media can affect the level of response and action they generate. The China AIDS Media Partnership driven by the Global Business Coalition on HIV/AIDs, Tuberculosis, and Malaria, for example, mobilizes the power of mass media and commercial marketing to raise awareness and reduce discrimination against people living with HIV/AIDS in China.

***“Tencent’s philanthropy 2.0 model uses a web-based platform that enables charitable organizations and projects and volunteers to connect with beneficiaries, internet users, and the public. Our goal is to release the power of compassion on the internet by engaging the public and facilitating their participation in driving a new era of philanthropy.*”**

We want to use our marketing activities to promote nonprofit organizations, and thus help the organizations promote their causes, generate revenue, and increase public awareness. As we strive to make an impact using internet technology, we develop internet-based products that use the power of web 2.0 and social networking platforms to connect internet users and arouse their interest. We hope to engage them and influence their lifestyle choices.”

***—Dou Ruigang, Executive Secretary,
Tencent Foundation***

TRANSPARENCY AND THE INTERNET

There were 457 million people using the internet in China at the end of 2010, including 303 million people accessing the internet through their mobile phones.⁴⁰ Although websites are simple communications tool that organizations can use to draw attention to the issues they support, fewer than 30 percent of charitable organizations in China use them.⁴¹

In addition to websites, online forums, blogs, and microblogs are effective mechanisms to engage the public and are fueling nationwide debate on social and environmental issues and commentary on the state of philanthropy in China. In 2011, the internet—and in particular microblogs—has brought the issue of transparency in the nonprofit sector back to the forefront. Originally a hot topic after the Sichuan earthquake because the public demanded to know how effective their donations were, the issue has grown to encompass how nonprofits are governed and operated, as well as how their funds are used.

³⁹ Li Xiaoli and Li Jun, “Three Million Chinese Families Commit to Turning Off Their Lights Saving 2.4MWh of Electricity”, *Jinyang - Yangcheng Evening News*, March 28, 2010.

⁴⁰ *Research Report of the Behavior of Users Accessing Internet through Mobile Phones in China*, China Internet Network Information Center, chap. 2.1., 2010. Chinese name: 中国网民手机上网行为研究报告.

⁴¹ *2010 Report on Transparency in China*, China Charity Donation and Information Center, 2010.

June 20, 2011 was a historic day in China's philanthropy sector. When Guo Meimei, a 20-year-old netizen who claimed to be the general manager of "Red Cross Commerce"—an organization the Chinese Red Cross says does *not* exist—posted photos of her lavish lifestyle online, questions of how she financed this spending immediately arose. Countless news reports and more than 600,000 posts on Chinese microblog *Weibo* stirred up more criticism of the Chinese Red Cross. The Chinese Red Cross had already attracted negative media attention following the leak in April of a meal receipt to Chinese Red Cross staff totaling more than US\$1,500. Although the Chinese Red Cross has denied any connection with Guo, the link was made and the damage had been done. In July, the Chinese Red Cross launched a platform (under development since late 2010) that shows income and expenditure data, donation information, and project information. Despite these efforts its donations still fell sharply in August.⁴²

Other scandals erupted shortly afterward related to the China Soong Ching Ling Foundation in Henan province, which had embezzled charitable donations and lent large amounts of money to real-estate companies for the construction of luxury apartments. These scandals also generated much public debate and concern over the integrity of large foundations. "The scandals are just the direct cause. The primary reason that our fundraising has been hindered is that people's trust has now hit rock-bottom," said Huang Zhen, a law professor at Central University of Finance and Economics.⁴³

The question the sector faces now is how to respond. Nonprofits are using the internet to increase their transparency, respond to the public's requests, and address rumors early on.

"We are really lacking more responsible charitable organizations and the level of transparency required to promote the healthy development of the philanthropic sector. Effective poverty alleviation requires efficiency and transparency."

***—He Daofeng, Vice President,
China Foundation for Poverty Alleviation***

As a notable development, the China Foundation Center was established in 2010 after a decade of continued efforts to make foundations in China more transparent. Its online database includes foundations' financial and programmatic information. However, only 2 percent (less than 50) of 2,462 foundations disclose complete information.⁴⁴ Though not without challenges, the China Foundation Center portal is groundbreaking in its attempt to increase transparency, hold foundations accountable, and enable the public to compare foundations online.

⁴² Cheng Yingqi, "Scandals Put a Big Dent in Donations," *China Daily*, October 19, 2011, www.chinadaily.com.cn/china/2011-10/19/content_13928884.htm.

⁴³ *Ibid.*

⁴⁴ Tong Shuquan, "Only 2% of Foundations Disclose Complete Information," *Beijing Daily*, October 22, 2011, <http://news.foundationcenter.org.cn/html/2011-10/32430.html>.

6. Three Important Factors that Will Shape the Sector's Future

The social investment landscape has changed dramatically in the last four years, and it will likely continue to evolve over the next four years. Three factors in particular will shape these changes: how social media and ICT drive transparency and engagement of individuals or empower nonprofits, how nonprofits develop new business models to become sustainable or scale, and how local governments support nonprofits.

Social Media and Information and Communication Technology

With the widespread use of the internet, technology is changing the way that the Chinese public accesses and uses information, with wide-ranging consequences for the nonprofit sector in China.

“The internet is driving a new era of public participation. Since going live in June 2007, our platform has stimulated more than 600 million instant message conversations, engaged volunteers, and allowed more than 1.8 million net users to donate through the platform [as of the end of 2010]. The effectiveness of using the internet and social media to promote public participation was keenly demonstrated during the Sichuan earthquake in 2008. Tencent leveraged the power of media and television to attract a record-breaking 23 million visitors to its web portal within 20 days of the earthquake.”

**—Dou Ruigang, Executive Secretary,
Tencent Foundation**

In many cases the public uses information and communication technology (ICT) to take joint action: facilitating volunteering, encouraging the purchase of more sustainable products,⁴⁵ and driving the donation of funds and equipment. The ICT Volunteering Alliance, launched in early 2011 by several ICT companies and nonprofits will provide a further boost. Qifang, a nonprofit pioneering ICT tools to provide a peer-to-peer platform to provide loans for students, is another example of how the internet is being used to facilitate social investment through online giving. Meanwhile the Innovation Award for Non-Profits, that Intel launched in 2009, has helped profile and fund innovative nonprofits that are using technology in their work.

Business Models for Nonprofit Sustainability

As the business sector has made constant technical and social innovations, nonprofits have been looking at the possibility of leveraging business approaches, including social entrepreneurship, to achieve sustainability and lasting impact. Given its scale and complex social and environmental needs, China may provide the opportunity to test what is possible. The success of the clean technology sector in China—now a world-leader—offers one example where businesses, motivated by profit and encouraged by the government, have created solutions to environmental problems and scaled them up. One example is Tsing Capital, a private equity fund, which invests primarily in clean technology, while also screening for environmental, social, or governance concerns in its investments. Tsing Capital has benefited from strong investment returns in clean technology and, at the same time, is contributing to the growth of environmentally responsible companies in China.

⁴⁵ For example, The Green Choice Beijing Project, www.greenchoice.cn, by Friends of Nature.

“If an NGO cannot finance itself independently, we cannot really say that the NGO is independent. To be financially self-sustaining and independent, NGOs should learn to generate as much of their revenue as possible without fundraising. It’s good to adopt a business model that has a social purpose at its core, but this is not easy as I have learned from my work.”

—Shao Minglu, Founder, Bright China Foundation

Nonprofits such as Fuping Development Institute are beginning to explore different models such as fee-for-service mechanisms to diversify their revenue channels and adopt more commercial approaches to their operations and strategy. As this happens, it becomes increasingly difficult to differentiate between nonprofits and businesses. Instead of traditional nonprofit models that rely heavily on donations and that are difficult to run in China because of the country’s restrictions on nonprofit fundraising, market approaches by nonprofits affect social and environmental issues more meaningfully and ensure sustainability over time.

There are now programs in China popularizing this concept as well as providing training and seed funding. One example is the British Council’s Skills for Social Entrepreneurs project funded by Narada Foundation and China Social Entrepreneur Foundation, which aims to equip nonprofit practitioners, community leaders, young people, and potential or existing social entrepreneurs with skills to adopt business approaches to meet social needs and strengthen local communities. In 2009 and 2010, the project trained 330 potential or existing social entrepreneurs and provided RMB5 million in funding to the best social enterprise business plans.

Local Opportunities for Change

Though the central government in Beijing continues to drive the country’s nonprofit sector legislation and regulation, in individual cases governments at local levels have been allowed to explore different strategies to create greater policy and operational flexibility for nonprofits. In 2010, the central government allowed the Shenzhen Civil Affairs Bureau to use its local discretionary powers to approve the registration of the One Foundation as a public fundraising foundation. Many nonprofits saw this act as a positive sign and indicator that the monopoly of GONGOs over public fundraising may be broken. In Shanghai, the government has actively supported the registration of the Shanghai United Foundation, the Chinese equivalent of the United Way, which provides a platform enabling selected local nonprofits to fundraise publicly, and is working with NPI to expand the Shanghai Social Innovation Park.

These examples, although isolated, may open up opportunities for more experiments by other local governments that may help many nonprofits overcome the regulatory challenges they face while creating funding and partnership opportunities and helping nonprofits tap into other government resources to increase their impact.

7. Opportunities for Action

Stakeholders have many opportunities to address society's needs in this emerging environment.

For Government

With the vast range of resources at its disposal, the government is in a unique position to experiment with new models to address the tremendous social and environmental challenges the country faces. To lead the development of innovative solutions to address these challenges, the government can act as a:

- **Convener:** Bring together trusted stakeholders and challenge them to work together where they have complementary resources.
- **Innovator:** Fund new ideas and initiatives in local governments to pilot new ideas and develop local solutions to local problems.
- **Knowledge broker:** Facilitate sharing of knowledge of tested models so that old mistakes aren't replicated, and work to create new solutions.

For Companies

Companies have an opportunity to focus on innovation and value. Through innovative partnerships, companies can use their core competencies and resources for maximum impact, while communicating with employees, consumers, and other stakeholders. In order to develop strategic cross-sector partnerships that achieve a common goal, companies can:

- **Design community investment programs** that address the problem, engage stakeholders, and generate an effective solution.
- **Work with business partners:** Collaborate with suppliers, contractors, distributors, retailers, and customers.
- **Understand nonprofit partners' needs are different when transferring resources:** Business models may not work for all parties and should be tailored to a partner's needs and capacity.
- **Build sustainability into programs** to enable ongoing returns by applying partnerships and business models.
- **Ensure transparency of their operations** to build trust among potential partners and set an example for peers.

For Individuals

Individuals have the power to contribute to civil society development. By taking the time to identify the causes they value and to stay informed about the issues they find critical, they can use their resources effectively by:

- **Engaging and participating:** Take advantage of employee volunteering programs to maximize impact.
- **Advocating and educating their employer** about the programs they participate in and the needs the programs meet.
- **Joining the ranks of social entrepreneurs and founding their own social enterprise** to address the issues that are important to them.

High-net-worth individuals are in a position of even greater power. With significant funds at their disposal, they can go further by:

- **Considering the full extent of their resources:** Giving is only one way to invest in social and environmental issues.
- **Considering long-term investment:** Large-scale or one-time donations may not lead to the strongest impact.
- **Investing in the sector's capacity:** Consider whether nonprofits have the human and technical capacity to carry out a particular mission. Investing in a partner's capacity-building will ensure that donated funds achieve the intended impact.

For Media

Media's role in the development of civil society cannot be underestimated. Beyond generating innovative stories, catchy headlines, and new interactive communication channels, the media can:

- **Leverage articles to raise awareness among consumers** about key environmental, social, and governance issues.
- **Encourage greater transparency** among donors and nonprofits.
- **Drive companies toward effective social programs** by reporting on programs that demonstrate impact and form part of a company's business strategy.
- **Report on the outcomes and impacts of partnerships and programs**, including public-private partnerships.

For Nonprofits

Nonprofits can explore partnerships with the media, companies, foundations, or the government to provide the strategic, financial, or operational support necessary to achieve their goals. Nonprofits can:

- **Focus on and demonstrate impact:** Identify the best approach for communicating program successes, establish appropriate goals to achieve desired short- and long-term outcomes, and measure impact to present a convincing case to potential partners.
- **Experiment with operational models and communication styles** to develop sustainable cross-sector partnerships.
- **Engage the public** as volunteers, donors, and customers.
- **Engage stakeholders** both through transparency and inclusion within their governance structures, such as through positions on boards or as advisors.

8. Visions of the Future

The leaders profiled in this report share their visions for the future development path of social investment in China.

“For NGOs to take their innovation to scale, they should partner with companies by leveraging their resources and networks. NGOs tend to be more creative and flexible than companies, and by focusing on social innovation as a means for their survival and development, they will have a stronger internal drive to make positive impacts. Combining NGOs’ creative power with companies’ resources is one way that corporate-NGO partnerships can define the future of strategic philanthropy.”

**—Cliff Chien, Vice President, CSR Strategies,
Linksas Media Communication Group**

“Using the power of web 2.0 and social networking platforms, we can develop products that connect netizens and arouse their interest and participation in philanthropy. We hope to make philanthropy a new and trendy lifestyle choice that appeals to youth.”

**—Dou Ruigang, Executive Secretary,
Tencent Foundation**

“Only after there is genuine public participation in self-governance and every person is willing to take care of the needy, the disadvantaged, the poor, and the sick in our communities, can we say that our nation-state is powerful. This is the real measure of civil society.”

**—He Daofeng, Vice President,
China Foundation for Poverty Alleviation**

“Civil society has tremendous potential in China, as demonstrated by the increased public consultation in developing policies, such as the Contract Labor Law. If the government can become more comfortable with civil society and understand it better, civil society can actually provide valuable support to advance the government’s agenda. No one can do what the government can do in China. Given the scale of challenges in China, we all want to work with the government.”

**—Kelly Lau, Marketplace Director,
Sustainable Business & Innovation, Nike China**

“In ancient China, our philosophy and social values are of nature and humans as a harmonious whole. Only when we protect nature will nature protect us. This is a simple, but fundamental wisdom of life. The problem with us today is that we believe in capital, not in life. We must change our value systems and beliefs before we can do anything meaningful and sustainable.

Out of criticism, there is no hope. Instead, we need new ideas, new solutions, and new ways to guide people’s changes in lifestyle and values. I have thus been changing from advocacy-based work to a constructive exploration of a new way of rural community development. Since rural China has not yet been affected by the industrial revolution, there is still hope, if we can retain local customs and their way of life. The future of the Earth’s environmental protection lies in China, and within China. The future is in rural China, and it should be driven by social enterprises.”

**—Liao Xiaoyi, President and Founder,
Global Village of Beijing**

“We must change our values, change our way of growth, and place more emphasis on prevention rather than treatment. If we can learn from our traditional wisdom and encourage corporate-NGO partnerships, we will find the way forward.”

**—Peng Jianmei, Director, China Charity Donation
and Information Center, Ministry of Civil Affairs**

“There will be a big leap in the next three years. I foresee three major trends: First, there will be more positive interaction between government and civil society. Second, there will be growth in supporting organizations like BSR, the China Charity Donation and Information Center, and the China Foundation Center. Third, as Chinese society ages, there will be a greater demand for care for the elderly and others in need.

With this in mind, we need to provide systematic services to those in need, we need more private foundations in China, and we need more professionals that can deliver diversified social services. Modernizing the philanthropy system in China, by changing existing mindsets as well as management, knowledge-sharing, and technical systems, is more pressing than ever before.”

**—Wang Zhenyao, President,
One Foundation Philanthropy Research Institute,
Beijing Normal University**

“Innovative organizations—I mean truly innovative—can’t depend on those at the top, but need to start from the grassroots level. Instead of a top-down approach, there needs to be change so that [innovation] comes from the roots up and influences the top. The top can then encourage and support—or at the very least, not hinder [this innovation]. There are two types of people: some with technical knowledge, others who have experienced setbacks and get back up when they fall down. This is what we mean by, and the value in, having an entrepreneurship spirit and entrepreneurship education, in contrast to skills training.”

**—Shao Ming Lu, Founder,
Bright China Foundation**

“For the past 30 years, China has focused its attention on economic development. Now China’s top leadership has changed the country’s direction onto the path of social development. I think the next 30 years will be the “social development” years, when social causes will be advanced—this will be a mega-trend in China. The Central Committee has developed various plans for building a smaller government and promoting increased efficiency in governance. Some local governments have also been experimenting with creating more space for NGOs, which has included abolishing a policy that requires NGOs to obtain sponsorship from government agencies in order to become registered. While this sheds light on possible opportunities for NGOs, their future is still uncertain.”

**—Xu Yongguang, Chairman
Narada Foundation**

“I see huge potential, but there are challenges. The Chinese will be slow to allow civil society to develop the way it has in the West because they want to make sure it does not get out of hand. Even though this means that NGOs often get looked at very closely, this should not be a deterrent to working with them. Companies need to be aware of NGOs’ limited capacity and their backgrounds. The government also needs to create a better infrastructure for NGOs. I am sure the government will slowly begin to trust NGOs more, and at the same time, companies will learn how to better partner with civil society.”

**—William Valentino, Professor at Beijing Normal University’s
China Institute for Social Responsibility and former
Vice President, CSR, Bayer China**

Appendix: Profiles of Interviewees

BSR would like to thank the following experts who were interviewed for this report. Readers may refer to the full interviews on the CiYuan website.



**Cliff Chien, Vice President, CSR Strategies,
Linkas Media Communication Group**

“Strategic philanthropy will be a powerful force for social change in China.”

As Senior Vice President of Master Kong, the leading instant noodle brand in China, Chien developed several cause-related marketing initiatives and conducted the first risk-management seminar for the company’s senior management. In his prior role as the executive director of ORBIS Taiwan, a nonprofit devoted to blindness prevention and treatment in developing countries, Chien helped build partnerships with the Taiwanese government, international brands, and agencies; researched the social costs of blindness; and established the first low-vision rehabilitation referral service network across Taiwan.



**Dou Ruigang, Executive Secretary,
Tencent Foundation**

“In the Internet Age—an age of interactions and interrelations—Tencent is committed to leveraging the internet to engage the public for social impact. We want to transform traditional philanthropy so that it will have a more sustainable, profound, and broad impact.”

Dou Ruigang is committed to leveraging information technologies (IT) and the internet to drive social innovations in China. Since joining Tencent in 2005, he has established a web-based interactive philanthropy platform and launched programs, including an internet-based disaster relief action program and a monthly donation plan affecting hundreds of millions of netizens across China.



**He Daofeng, Vice President,
China Foundation for Poverty Alleviation**

“Only when there is genuine public participation in self-governance, and every one of us is willing to take care of the needy, can we say that our nation-state is powerful.”

Originally a researcher and driver of policy change at the Rural Development Center and the Research Center of the State Council, He transitioned to the private sector and is currently Chairman of the Board of the Kunda Department Store and Deputy Director of the China Foundation for Poverty Alleviation (CFPA), a role he has held for the past 12 years. He played a major role in transforming the CFPA by introducing research and business models that helped make CFPA one of the most influential, independent, and innovative foundations in China.



**Kelly Lau, Marketplace Director,
Sustainable Business & Innovation, Nike China**

“Partnerships should be formed at the right time when shared values, resources, and long-term goals are all aligned.”

As Marketplace Director for Nike China’s Sustainable Business & Innovation team, Kelly Lau drives Nike’s brand growth through consumer experiences that use sports to address social issues. This role includes creating partnerships with NGOs to develop innovative programs that leverage sports and rely on young volunteers. Prior to Nike, Kelly was director of APCO Worldwide’s CSR consulting practice in Asia.



**Liao Xiaoyi, President and Founder,
Global Village of Beijing**

“At Global Village we combine Western experiences in environmental protection with traditional Chinese wisdom. Only when we protect nature, will nature protect us.”

Liao is President and Founder of the Global Village of Beijing, one of China’s first environmental groups. Liao started her career as a teacher of philosophy and a researcher at the Chinese Academy of Social Sciences. As one of China’s great pioneers of the NGO sector, Liao founded the Life of Harmony rural development model, which is based on the belief that the solution to the problems caused by China’s rapid modernization can be found in centuries-old wisdom, and particularly in an emphasis on a harmonized life.



**Peng Jianmei, Director,
China Charity Donation and Information Center, Ministry of Civil Affairs**

“Traditionally, our values have been at the heart of our culture. We need to reignite our sense of social values instead of focusing on the technical details of philanthropy.”

Peng Jianmei has extensive experience working in media, business, and philanthropy. She is a woman of many “firsts.” She founded China’s first philanthropy awards and was responsible for both publishing the first Chinese CSR report and launching the first annual China philanthropy report. With support from the Ministry of Civil Affairs, Peng established MoCA’s charity donation management and information system and played an important role in managing the flow of donations during the Sichuan earthquake in 2008.



**Shao Minglu, Founder,
Bright China Foundation**

“Real innovation starts from the bottom, from people who are close to the social and environmental issues.”

Shao has many talents: He has worked as a farmer, a cadre, a salesman, and an investor; run a successful business; and been a social entrepreneur. Shao introduced the Peter Drucker Foundation’s entrepreneurial training curriculum and management philosophy to China and is the founder of the Bright China Foundation.



**William Valentino, Professor at Beijing Normal University’s
China Institute for Social Responsibility and former Vice President,
Corporate Social Responsibility, Bayer China**

**“We partner with NGOs to get different perspectives, opinions, and ideas—
new thinking that we could not access in any other way.”**

As Bayer’s Vice President for Corporate Social Responsibility China, William Valentino conceptualizes and implements a wide range of projects in areas, such as public health, rural development, environmental protection, employee volunteerism, and strategic social investment. Since 2006, he has also been an adjunct professor at China’s prestigious Tsinghua University, where he teaches at the Center for International Media Studies. Valentino also cofounded the Tsinghua-Bayer Public Health and HIV/AIDS Media Studies Program.



**Wang Zhenyao, President,
One Foundation Philanthropy Research Institute,
Beijing Normal University**

**“It is more pressing than ever before to modernize the philanthropy system
in China.”**

In 2010 Wang Zhenyao became the Director of the new Beijing Normal University One Foundation Philanthropy Research Institute where he is educating and training potential philanthropists, business leaders, and professionals. He previously served as the Director General of Disaster and Social Relief at China’s Ministry of Civil Affairs, where he played a prominent role directing the government’s response to the Sichuan earthquake and encouraging private-sector partnerships with NGOs.



**Xu Yongguang, Chairman,
Narada Foundation**

“The power of philanthropy lies with responsible citizens who are willing to help transform the lives of others.”

Over the past 20 years, Xu Yongguang has been a leading and influential figure in the philanthropy sector in China. As Secretary-General of the China Youth Development Foundation, Xu created Project Hope—an initiative that focused the nation on rural education and inspired a philanthropic mindset among businesses and individuals across the country. Since May 2007, Xu has led Narada Foundation, a private foundation that fosters civil society by advancing private foundations’ strategic giving and cross-sector partnerships.

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