The Landscape of Philanthropy in China

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About the Speaker

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Don’t see China’s philanthropy in this way!
See it in this way.
1. Major Characteristics of China’s philanthropy
2. Framework for the Nonprofit Sector
3. Conclusions
1. Major Characteristics of China’s Philanthropy

1.1 A Long History

(1) Philanthropic roots within ancient Chinese culture
(2) Integration of Chinese traditional philanthropic culture with Western values in mid-19th Century
(3) Philanthropy in Planned Economy
(4) The recovery time in 1980s’ and 1990s’
(5) Booming development in the new millennium
1.2 Giving Grows with Wealth *

**GDP**
(in USD)

**Donations**
(in USD)

**NGOs**
(Legally registered)

1.3 Government Influence

- The government’s program, “Building a Harmonious Socialist Society”, acknowledges private philanthropy as a crucial force in improving people’s well-being and in supplementing the current social security system.

- The 11th National Five-Year Plan of Economic and Social Development (2006-2010) and the National Guidelines for Philanthropy Development (2011-2015), showed a government even more intent upon speeding up the development and regulation of the philanthropic sector.
1.4 Two Pillars of Donors

Domestic enterprises and individual residents

(Amount in USD, Billions)
Giving by private enterprises increased rapidly in recent years.
1.5 Most of Donations Go to Government Sectors And GONGOs

Diagram 3: Distribution of Donations across Main Channels from 2007 to 2010

*GONGOs = Government-owned NGOs
### 1.6 Major Fields of Giving

<table>
<thead>
<tr>
<th>Field</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>37.00%</td>
<td>13.60%</td>
<td>41.07%</td>
<td>21.85%</td>
</tr>
<tr>
<td>Disaster Relief</td>
<td>12.00%</td>
<td>72.30%</td>
<td>25.52%</td>
<td>24.43%</td>
</tr>
<tr>
<td>Poverty Alleviation</td>
<td>14.00%</td>
<td>6.37%</td>
<td>12.13%</td>
<td>9.26%</td>
</tr>
</tbody>
</table>

*Figures of poverty alleviation in 2009 had also included vulnerable group support and rural community development.*
1.7 An Imbalance in Regional Development
1.8 Obstacle of Registration

- Statistics for 2010 show that about 445,000 civil society organizations were legally registered, while at least 3 million organizations likely remained unregistered.

- According to a 2012 report, there are about 1,000 NGOs from the U.S. operating in China and less than 3% of them have acquired legal status within China.
1.9 Growth of Volunteerism

Registered volunteers in China*

1.10 New Technologies in Philanthropy

Participation
Communication
Supervision
Fundraising
1.11 Demands for Transparency

The public demands for greater transparency and more accountability are top priorities in the reform of China’s charity organizations today.
2. Framework for the Nonprofit Sector

2.1 The Administrative System

- Department of Civil Social Organization Administration, Ministry of Civil Affairs
  - promulgate regulations
  - manage the registration of both national NGOS and INGOS
  - supervise local registration

- Local Civil Affairs Bureaus
  - the registration of local social organizations and foundations
Dual Registration and Management System

To complete formal registration, a social organization must obtain permits from two supervisory agencies:

**sponsor agency**
A government department or other authorized social organization. They supervise and guide the organization.

Most of them are reluctant to take on new organizations, because they have little authority over them yet have associated risks.

**civil affairs bureau**
Audits the social organization for its adherence to law.

A social organization can register with a civil affairs bureau. Permission from a sponsor agency is a prerequisite.
Since 2009, the civil organizations in Shenzhen and Beijing are allowed to register under the municipal civil affairs bureau directly, and no longer have to seek a sponsor.

More cities are following…
2.2 Legal Framework

A four-tiered system

1. National People's Congress and its Standing Committee
2. State Council
3. Various departments of the central government
4. Provincial governments
1. National People's Congress and its Standing Committee

- Law on Red Cross Society (1993)
- Law on Individual Income Tax (amended 2007)
- Law on Corporate Income Tax (amended 2007)
2. State Council

- Regulation for Management of the Registration of Social Organizations (1998)
- Provisional Regulations for the Registration Administration of People-run Non-enterprises Units (1998)
3. Various departments of central government

- The Provisional Regulations for Disaster Relief Donation Administration (2000)
- The Notice of Tax Deduction on Public Welfare Donations jointly issued by MoCA, the Ministry of Finance and the State Administration of Taxation (2008)
4. Provincial governments

- Ordinance of Young People Volunteering Service in Guangdong Province
- Measure of Fund Administration in Dalian City Charity Foundations
Problems

• The foundations for a legal framework has been laid yet is still loose and fragmented.

• There is not yet a comprehensive set of laws at the highest level to truly encourage and regulate the systematic development of philanthropy.

• Current laws do not clarify the boundaries of public welfare undertakings.

• It is also very vague on how to protect the rights of donors if the receiving agency is inactive or abusing the donation.
2.3 Two Tax Incentives: Pretax deduction & tax exemption

“Individuals who donate income to educational and other public welfare undertakings, through social organizations or government agencies in the People's Republic of China, can deduct that part of the donation which does not exceed 30 percent of the amount of taxable income declared by the individual.”

—— The Individual Income Tax Law
“With regard to an enterprise's expenditures for public welfare donations, the portion that accounts for 12% of the total annual profits, or less, is allowed to be deducted.”

—— *The Corporate Income Tax Law*
Nonprofits

• Only the interest of non-taxable income is tax exempt. Income from government contracts for the social services of nonprofit organizations also has to be taxed.

• Nonprofit organizations have to distinguish between taxable income and non-taxable income.
2.4 Other Legal Barriers

2.4.1 Inflexible Policy

• The annual expenditure of private foundations on public benefit activities must not be less than 8% of the surplus from the previous year.

• A foundation may not allocate more than 10% of its total expenditure per year to cover all administrative costs.

• Nonprofit employee salary cannot exceed twice that of local average salary.
2.4.2 Foreign Exchange Control


- *The Management Regulation for Foreign Exchange Donated to Domestic Entity* (launched by The State Administration of Foreign Exchange) states that domestic NGOs must submit a notarized document containing a detailed budget.
2.4.3 Strict Environment for INGOs

• Registration:
  Many have registered as a “corporate entity”, or operate with no formal registration.

• Fundraising:
  Strictly forbidden in mainland China.
3. Conclusions

• China has a long-standing history of doing philanthropy.
• China’s philanthropy has been booming since the new millennium.
• Philanthropy in China is complex and differs from those in other countries.
• A great leap of giving will most likely occur.
• Two pillars of donors and three fields are worthy of attention.
• New technologies provide more opportunities for fundraising.
Looking forward to your opinions and questions!
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This presentation’s content is largely based on Chapter 2: “China” within *Global Giving: How the World is Changing Philanthropy*. The chapter was co-authored by Lu Bo & Nan Fang, and the book is due to be published by Wiley & Sons in March 2013.

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