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The Booming Growth of China's Private Philanthropy: A Perspective from the Wenchuan Earthquake

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*The Sichuan quake knocked down buildings – but also old ways of doing business.
Now a different, more liberal country is quickly emerging.*

-- <Newsweek> June 30, 2008

The Wenchuan earthquake on May 12, 2008 not only resulted in great losses of lives and property to local people, but also witnessed the tremendous enthusiasm of China's private philanthropy. Up to June 23, within a short period of 40 days, a donation of RMB52.378 billion from domestic and abroad was received and in contrast, only RMB4.074 billion was donated in the anti-SARS campaign five years ago. The donation for the Wenchuan earthquake was arguably the most breathtaking fundraising ever seen since the establishment of People's Republic of China in 1949 in terms of the speed at which the money came in, the quantum raised and the broad base of people reached. Therefore, the Ministry of Civil Affairs especially issued a bulletin to express sincere thanks to the whole society. Although there was no official statistics on private philanthropy so far, non-governmental organizations have been actively participating in the earthquake relief, and their activities included material donation, environmental protection, medical care, psychological assistance, education, etc. They impressed people worldwide with their outstanding performance and irreplaceable role in earthquake relief and showed the booming growth of China's private philanthropy.

Three Factors Speeding up the Growth

I don't think the above mentioned booming growth happened by accident, the following three factors contributed to this phenomenon.

1. Flourish of China's Private Economy

Since the reform and opening policy in 1978, China's private economy has been developing at a high speed and made great contributions to the country's economic and social development. Statistics indicated that private enterprises and self-employment people, as taxpayers, contributed RMB411 billion and 119.4 billion to the country respectively in 2006, and RMB2100 billion as income of wages and salary. At that year, private enterprises invested as high as RMB3765.5 billion to fixed assets, accounting for 42.4% in the total investment of whole society. In 2007, private

enterprises in Guangdong province increased RMB1320 billion to the value. And meanwhile, a number of powerful entrepreneurs committed to philanthropy were born with the development of private economy.

Dr. Paul Schervish, Director of the Boston College Center on Wealth and Philanthropy, pointed out in a research on US philanthropy that the higher the value of assets accumulated, the more proportion it flows to the charity. The situation in China is very alike. After thirty years growth, China's private economy created tremendous wealth for the society, and also provided possibility of doing charities on a large scale.

2. Consensus to Corporate Social Responsibility

The definitions of Corporate Social Responsibility (CSR) and charity are different but related to each other. CSR is not only referred to as the responsibility of internal employees' benefits including but not limited to offering good environment and condition to employees' survival, employment and social insurance, but also contribution to the development of whole society and especially attention to social feeble groups and protection of their interests. Carrying on charity is a key way for enterprises to set up their social image and to benefit their sustainable development. As for modern enterprises, consensus has been reached with respect to social responsibility. The charity activity is gradually growing to be a part of sustainable development strategy for enterprises.

On one hand, the spirit of 'when difficulties arise in one place, aid comes from everywhere' has been highly advocated by the Communist Party of China and the people's government of China, which helps to realize the social harmony; on the other hand, during the Wenchuan earthquake, many Chinese people evaluate the social image and reliability of a certain enterprise in accordance with its donation amount. This kind of judgment is probably unfair but should be considered by entrepreneurs.

3. Governmental Charity Organizations' Lack of Capability and Credibility

During the Wenchuan earthquake relief, the capability and credibility of governmental charity organizations were frequently challenged by the media and public, and trust crisis occurred from time to time. It was disclosed by the official website of China's Red Cross Society, only about two billion RMB of money and materials had been received for all natural disasters during the period of 1949-2007. In contrast, RMB4.594 billion was received in 38 days from May 12 to June 16. In face of such tremendous donation, a representative of China's Red Cross Society admitted they "were not capable enough" and "could not match the situation". In addition, lack of information disclosure to the public and sufficient communication with the media led to the unreliable image among the public. Therefore, it is not strange that so many enquiries and challenges took place during the process.

Three Challenges

Nowadays, philanthropy is becoming the mainstream of the Chinese society and a daily topic of Chinese entrepreneurs. In the process of participation of the

philanthropic activities in recent years, more and more entrepreneurs realized that philanthropy does not mean donation only. They thought it will be more meaningful to contribute to the public activities relying on collective efforts rather than to simply donate cash. They sincerely hope to exert their personal power in the philanthropy field and execute their professional skills and experience to philanthropy. Consistent with this trend, more and more personal and corporate philanthropy organizations were set up recently, such as Smile Angel Foundation, Narada Foundation and Vantone Foundation, etc. During the process, those ambitious entrepreneurs started to learn that spending money is even more difficult than earning it. They also found out that three problems need to be urgently resolved if they really want to make some performance in the philanthropy sector.

1. Laws and regulations to be improved

The non-governmental organizations (NGOs) in China have been developing despite an incomplete legal framework. Currently, most of the administrative regulations or ministry-level rules need to be upgraded urgently to laws. In accordance with the current laws and regulations, NGOs in China consist of social organizations, private non-enterprise units and foundations. In 1998, “Provisional Regulations for the Registration Administration of Private Non-enterprise Units” was promulgated. As for foundations, “Regulations on Foundation Administration” was promulgated in 2004 and “Regulations on Social Organization Registration” in 1988. In recent years, the voice of issuing “Philanthropy Law” is unceasing and rising especially after the Wenchuan earthquake. However, on the State Council’s legislation plan for year 2008, “Philanthropy Law” is still being categorized as the second priority, which meant to be studied actively and to be submitted when all conditions are ready”.

2. Operating principles to be clarified

The Wenchuan earthquake not only triggered the passion of nationwide participation in philanthropic activities but also aroused the discussion of how to be involved in it. The event of “Wang Shi (a well known private entrepreneur in real estate sector) Donation” brought a series of disputes, just like a small stone stirs up a large number of ripples. Is more money donated the better for donation? Is it necessary to make a clear distinction between enterprise’s donation and entrepreneur’s personal donation? What’s the difference between running philanthropy and operating business? How to guarantee sustainable development of the enterprise philanthropy? How to evaluate the effectiveness of a certain philanthropic donation? ... It is very obvious that China’s philanthropy is just on the start-up stage and all circles have comparatively superficial knowledge on the modern philanthropy. Generally speaking, Chinese entrepreneurs are full of ambitious plans and rough ideas, but lack of systematic approach and scientific argumentation in terms of doing philanthropy.

It is very gratifying that those private entrepreneurs committed to philanthropy have been aware of the gap and have taken actions to seek solutions. In June, 2008, Society Entrepreneur Ecology (SEE) – a well known Chinese NGO focusing on environmental protection, organized dozens of private entrepreneurs for a ten-day-trip

to the U.S. to visit ten successful NGOs, and to learn their management pattern in terms of system design, governance structure, project operation, capital management, financial control and fund raising. In my personal view, this trip could be deemed as “trip of initiation” for Chinese private philanthropists. Actually, I was lucky enough to be a member of the delegation, and benefited a lot from the trip. Additionally, the first session of China’s Philanthropy Network (CPN) will be held in Shanghai in coming October. According to the organizer, CPN is “designed to facilitate communicative network of philanthropy, encourage experience sharing and promote sustainable development of Chinese philanthropy”.

3. Extreme Lack of Professionals

Professionalism can only be conducted by professionals. Taking Ford foundation as an example, Ms. Susan Berresford as CEO controls 12.2 billion US dollars and thousands of projects, manages 554 employees in the US headquarter and 12 overseas offices. Her workload and pressure is nothing less than any CEO of a Fortune 500 corporation. Doing philanthropy not only needs top management talents like Susan Berresford, but also needs all kinds of professionals or specialists in term of planning, marketing, finance, PR, HR, project implementation, investment, risk evaluation, NGO management, etc. As for China’s philanthropy, the most pressing task is to build our own talents training system because scrambling for talents with profit-making organizations is not a sustainable strategy. Indubitably professionals have been a bottleneck for the development of China’s private philanthropy.

China used to face a similar situation in the early 1990’s. During that time, the blooming economy called for MBAs, but China had no business school and no MBA courses in any university. After more than 15 year’s effort, China has 96 universities launching MBA courses, the accumulative total MBA students have been reached 150,000, and 80,000 of them have already received their degrees. Even more importantly, the local MBAs have been playing extremely irreplaceable role in China’s modern economy.

Conclusion: A Bright Future

I firmly believe that the three questions mentioned above are “growing pains” to the Chinese private charity and can be resolved with high attention and effective actions. According to <The Blue Book on Charity Donation Development in China>, the total social donation in 2007 was RMB 30.9 billion from domestic and overseas, which was four times of that in 2006. As for 2008, only for the Wenchuan earthquake, the donation has already been exceeded RMB 51 billion from domestic and overseas. This shows a strong developing tendency and capacious space for China’s philanthropy.

It is very estimated that China has a huge group of private entrepreneurs with business wisdom, social responsibility and global vision. Their dedication to the philanthropy is the hope for the future of China’s philanthropy. During the June trip to the US, I

participated in several discussions among Wang Shi, Feng Lun, Zhang Yue, Wang Weijia and some other private entrepreneurs about the earthquake at Wenchuan and the desert at Alxa (a place in Inner Mongolia, the headstream of Beijing's sand storm), the successful stories in the US and the future development in China, Bill Gates's recent resounding donation and our personal philanthropy plans. Time after time, I was inspired with admiration and expectation.

I am full of confidence that, taking the Wenchuan earthquake as a turning point, there will be a completely new structure and vigour for China's private philanthropy.

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