

WS45 – Foundations

Session 1

The Chinese vision

- Although there is a tradition of philanthropy in China (devoting life and wealth to education of youngsters as followers + the practice of mutual help based on “blood”, i.e. among relatives in case of a need)
- Concept of philanthropy was taken mainly from the Europeans (at the turn of the rather from the US)
- Between 1949 and about 1987 almost no room was left to philanthropy (i.e. private or corporate giving), so China started 20 years ago anew
- China is still a developing country, with big cities not very different from the European ones, with big disparities within them. The polarisation is even bigger compared to rural areas – this is the reason for 150 million migrant farmers, having about 30 million children without proper education.
- Priority issues for foundations: The education (especially vocational and higher education) to the children of migrant farmers (more than 3 million until 2006); renovating schools in rural areas (13 thousand until 2006); protecting the environment especially in river areas; health care and education in schools (AIDS prevention); hospital renovation (1500 until 2006); tackling poverty in rural areas, etc
- Land ownership of government is controversial – it is not worthwhile for farmers to invest, because the benefits cannot be enjoyed by them
- China of more than 1 bn citizens has only about 180.000 civil society organizations, among them 1144 foundations, out of which 795 are public foundations, 349 are non-public. Their total assets is about 10 bn RMB (€ 1 bn) which is increasing by 8 bn RMB annually. Private foundations are rare (the first one founded just recently)
- A public foundation can be established with at least 8 million RMB, and must distribute every year at least 70 % of the previous year’s
- The first non-public foundations established in 2004, with at least 2 million RMB, and 8% of assets must be spent annually, this makes difficult to maintain their existence
- 15 foundations have more than 1 million RMB assets (they own 61% of all foundation assets). The All China Charity Foundation is the strongest among them
- China is still a transition economy from a planned to a market economy. The central and local governments still closely influence the foundation sector, although government officials cannot become leaders of foundations unless retired.
- Highest government leaders initiated e.g. the “Project of Hope”

- The 3 NO issues (rural, farming and land) are the most important ones to tackle with in China
- The influence of Hong Kong is important to the foundation sector – many concepts and methods of philanthropy are taken over from there (e.g. the annual fundraising marches)
- There are limited tax benefits for donors (3% of profits only, maybe changed to 12% in 2008). Foreign donors can enjoy tax benefits for their donation up-front, Chinese donors have to wait several years
- The government identifies only a few major foundations whose donors get the tax benefits. Donors of other foundations don't get the same benefits
- Income and asset increase of foundations is taxed – a main contradiction to be removed

The European questions addressed to Chinese

- Q: Foundations take over government responsibility for free education and health care to be funded from taxes; who benefits and who doesn't? – R: discussion in China, no immediate solution
- Q: Are there associations of foundations in China? – R: Not yet.
- Q: Are tax deductions the main reasons for establishing a foundation; what about the rules for transparency and accountability? – R: Foundation face intense government attention, even scrutiny (strict rules of spending assets, widely published annual audits, etc.)
- Q: Are foundations treated equal in terms of tax deductibility of donations? – R: Only a few major foundations are fully tax exempt – the ones close to the government
- Q: How foundations are established, who decides about mission, goals, etc.? – R: The government offices decide whether the philanthropic "product" fit to their aims. If yes they get the permit
- Q: Who are the board members, who decides about them? – R: Not more than 25 members, the founder decides about them, include government officials and experts in the field.
- Q: What type of foundations are there in China? – R: Four types -Operational, corporate, private and community based on 3 kinds of funding - government, fundraising and service-provision

Session 2

The European vision

- Most foundations in Europe are mostly launched by families or individuals historically corporate foundations are much less in number (except Italy, Denmark, UK), but the total size of assets is more balanced
- Consolidation of the foundation sector is ongoing by forming associations of foundations – on national level in most EU countries
- Foundations are in the process of developing networks (like the European Foundation Network or the European Foundation Centre) – country-by-country, but also on European / Global level – aiming exchange of experience, undertake joint initiatives.
- The foundation sector is very diverse – many forms/types of foundations exist in Europe. Tax laws are different. Legal forms are different too (although the European foundation statute as a non-obligatory model is in preparation) not only on national, but in some countries even on regional level. In continental Europe there are no pay-out rules (like the 5% rule in the US), and many operational foundations do not give out grants.
- Most European foundations have a narrow local and national focus, only a few have European or international perspective
- No unified legal definition of the word “foundation” (e.g. most charities in the UK are not foundations, but there are trusts not existing in most continental EU countries, etc.)
- Development in the foundation-thinking – new forms of philanthropy are emerging (focused on the public good, independence from the government in decisions and in sources of funding, transparency, balanced governance)
- Out of the most intense 50 years for European foundations the last 20 years are strongly characterized with social, environmental and cultural interest
- EU programs and funding largely effects job creation, help to disabled, regional development, etc. the EU funding has been very important – similar to the effect of the Marshall Plan
- Foundations must be aware of what is going on EU policy level, they need to be and have increasing possibilities to be innovative – undertake programs governments could or would not do – even launch new policy initiatives on local, national and EU level
- Many European foundations ask themselves the question: How can we achieve the most systemic impact from the investment we make? Some others are not interested in this question, though
- Unification within the foundation sector does not bring innovation. Foundations have to find the way to launch a new “ball game” if that is needed

- Self-definition and responsibility of corporate foundations (Gulbenkian, Carrefour are present) – They are independent in running programs to address the needs of the country they operate in
- New buzz-words are emerging in the European foundation world, as social entrepreneurship, venture philanthropy, etc.
- Civil society organizations/agencies can be sometimes dangerous because of their naiveté or bias or intentional wrong-doing
- There are at least four different Europe's in terms of foundations: the Island Europe (UK, Ireland), the Western Europe, the Central-East Europe (CEE), and the Sort-of-Europe (Russia, Turkey, etc.) – there is a tremendous diversity within Europe and within countries (small foundations with almost no assets and operations vs. emerging wealthy private foundations; busy associations vs. GONGOs active in indirect party funding)
- In CEE there is only a narrow borderline between foundations and associations, both mushroomed in the name of freedom of association regardless of the form; consequence: very many non-sustainable foundations

The Chinese questions addressed to Europeans

- Concerns and issues to be addressed are different in China and Europe
- China is still developing and poor, programs are directed to poor people; the social security system is much less developed, social issues come first; everything is still closely controlled by the government; it is in the transition phase from planned to market economy
- Europe is much more wealthy, the focus of programs is much less social disparity rather culture and environment oriented; even if there is no common definition on foundations, their nature is the same; the public good, the transparency and the non-government status is generally important and characteristic
- Lessons: Europeans give inspiration in fields like: association of foundations is possible and necessary; activities should not be limited to one country, global perspective is needed and possible

Session 3

The convergences between the European and Chinese society

- Dilemma: How to decide that there is a need to be addressed? Have a complex approach in empowering people in need and going to the root of the problem
- Engage with policy-makers and initiate changing policy by targeting the fundamental issues;
- European foundations are at the stage of “getting together”, joining their resources-initiatives
- Joint self-regulation helps to prevent restrictive government policies
- Besides the pressing social issues the improvement of the general status of the NGO sector is an increasingly important issue
- There is an important difference between the meaning of policy and politics; foundations tackle with policy issues
- None of us has the “stone of wisdom”, we must learn from each other, but following our own way (modernity and innovation)
- Looking for new trends and diversity in both societies
- Function of the state and the need of the citizen must be in-line; joint initiatives of foundations generate dialogue between civil society and government

The divergences between the European and Chinese society

- The social issues (e.g. 1 million migrant children with limited access to even basic schooling) are more pressing and are to be solved more urgently than influencing policy – this may not be a productive approach long term
- Government control and regulations – procedures are different, but the basic approach and principles are compatible/similar in China and Europe
- China is in process of transition – the term “civil society the” unfamiliar until a few years ago, but things are changing
- China/Europe are at different stages of development re. civil society organisations, among them foundations

Session 4

Acting together on common challenge

- Convening a conference of Chinese foundations on common issues, collaboration and possibilities joining resources (possibly with participation of EFC member organisations)
- Participation at EFC Annual Conference in Istanbul in 2008 for continuing the sharing of experience
- Corporate foundations have difficulties in getting the assistance of NGOs to spend their assets effectively (too few professional NGOs)
- Develop capacity building programs for NGOs to be able to run effectively programs funded by foundations. Central-Eastern Europe experience available, incl. training methodology and materials.
- Sharing experience and conceptual thinking in addressing complex issues like empowering communities in addressing their own needs – partially based on local resources, collected by their community foundations, complemented and multiplied by external foundation support.
- Support from the Global Fund for Community Foundations available for developing the community foundation concept and practice
- Foundations should take risks by identifying and addressing roots of problems, rather the consequences of those problems
- Rich individuals/families/corporations are setting up their own charitable funds for addressing problems they judge as problems – instead letting people decide for themselves (instead empowering them)