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The 2022 Global Philanthropy Environment Index China

Expert: Qun Wang

Institutional Affiliation: University of Toledo

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Foundation, Social Association, Social Service Organization, Company Limited by Guarantee, Cooperative, Corporation, Endowment, Foundation, Limited Liability Company, Society, Trust

Five main social issues addressed by these organizations: Arts and Culture, Basic Needs, Early Childhood Education through High School, Health and Medical Research, Higher Education

Average time established by law to register a philanthropic organization: More than 90 days

Average cost for registering a philanthropic organization: USD 0

The registration is free. However, it requires varying and relatively high registered capital.

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government

China is a unitary country. Therefore, the central government enacts laws and regulations, and subnational governments implement laws and regulations with certain discretion based on their own jurisdictional circumstances. In recent years, nonprofit practitioners in southern China reported improvement in the registration process. However, in places like Beijing, philanthropic organization (PO) registration remains a hurdle.

THE 2022 GLOBAL PHILANTHROPY ENVIRONMENT INDEX

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	2.27	2.95	2.40	2.75	3.70	3.70	2.96
2018 GPEI	2.20	2.40	2.40	2.75	N.A.	4.00	2.75

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

Key Findings

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 2.4

In China, several laws and regulations stipulate the registration and management of POs. Major legislation includes the Charity Law of 2016, Law on the Management of the Activities of Overseas Non-Governmental Organizations (NGOs within Mainland China of 2016, Regulations for the Management of Foundations of 2004, Regulations for the Registration and Management of Social Associations of 1998, and Provisional Regulations for the Registration and Management of Civil Non-Enterprise Units of 1998. Currently the three Regulations are under revision.

The Charity Law establishes that in order to be registered as a charitable organization, the organization must have a name, an address, a bylaw, and financial assets, among others. In addition, they must carry out only charitable activities such as poverty alleviation, public health, education, and environmental protection. Organizations working on rights-related issues, for example, labor, women, LGBTQ+, and political pursuit, are denied registration. The Charity Law forbids certain people from managing charitable organizations, including those who have limited or no capacity for civil conduct, whose criminal penalty ended within the previous five years, and who oversaw an organization which had its registration certificate withdrawn or been banned within the past five years.

In reality, registering a PO is onerous and frequently goes beyond the 60 days specified in the legislation. Numerous studies have revealed that founders' personal connection with the government is key to successful registration. Foreign nationals and entities are generally not allowed to register POs in mainland China. Foreign POs can register representative offices, but their activities are subject to the approval and surveillance of public security organs, and fundraising is not permitted. Recently, practitioners in southern China reported improvement in the registration process. However, subnational POs must constrain their activities within the geographic scope of the registering jurisdiction.

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 2.7

The Chinese government has been institutionalizing a dual nonprofit policy. On one hand, the Charity Law specifies charitable activities: 1) helping the poor and the needy; 2) assisting the elderly, orphans, the ill, the disabled, and providing special care; 3) alleviating losses incurred by natural disasters, accidents, public health incidents and other emergencies; 4) promoting the development of education, science, culture, health, sports and other causes; and 5) preventing and alleviating pollution and other public hazards, protecting and improving the eco-environment. On the other hand,

registered and unregistered POs that extend their work to politically sensitive issues are dealt with harshly. Social media is under state control. Therefore, online advocacy by POs is limited.

In terms of internal operation, POs must have bylaws, a board of directors, a supervisor or a board of supervisors, utilize the standard national accounting system, meet spending and fundraising requirements, and submit annual reports. Despite mandatory reporting, transparency remains low, given the inconsistent quality of annual reports and their limited availability to the public. POs may participate in a social organization evaluation, which is good for five years. POs can establish a branch of the Chinese Communist Party if circumstances permit. POs can raise contributions from the public only if they have obtained a public fundraising qualification.

POs are relatively free to collaborate with domestic individuals and entities. Government-organized POs largely monopolize international cooperation and humanitarian aid to foreign countries. The literature argues the Chinese government intends to boost its image through non-governmental diplomacy by government-organized POs, whose finance, personnel, and decision making might be under state control. From around 2000, China significantly cut the supply of foreign funding to domestic POs in the name of national security.

Question Three: To what extent is there government discretion in shutting down POs?

Score: 1.7

The Charity Law permits voluntary termination when: 1) the conditions for termination as set out in the bylaws are met or 2) division or merger occurs. Involuntary termination by government can occur under certain circumstances: 1) the PO has not engaged in charitable activities for two consecutive years; 2) the PO is de-registered or has its registration certificate withdrawn; or 3) other conditions set out by laws and regulations. After the termination, financial assets remaining after liquidation shall be transferred, in accordance with the bylaws or the decision of the overseeing civil affairs department, to POs with the same or similar aims.

It is unknown how many POs are terminated each year. In the first three months of 2021, numerous subnational governments publicized lists of terminated POs. The most common reason for termination is that these POs failed in the annual inspection for two or more consecutive years. Among them are many professional associations and nonprofit schools. In the last three years, terminated POs may easily exceed 20,000 in number. If dissatisfied with their order of termination, POs may appeal for administrative reconsideration or pursue litigation.

The literature observes that extralegal termination has largely given way to administrative measures. There are two plausible reasons for this shift. First, the restrictive government control over registration alone effectively deters POs from pursuing politically sensitive objectives. Second, administrative measures are a disguise rather than legitimate causes. Unirule Institute of Economics, a prominent liberal think tank, became one of the major victims during this period. After two years' of governmental pressure, the Institute announced its closure in 2019. The official reason given was that the Institute did not have the permission to publish news on the Internet, despite its decade-long practice of online publication. Anecdotally, the direct reason was a small consultation fee charged to a foreign entity in 2017.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: 3.1

The Charity Law stipulates that “[c]haritable donations of property include cash, physical objects, buildings, marketable securities, equity, intellectual property, and other tangible or intangible property” (Article 36). In addition, “[n]atural persons, legal persons or other organizations that donate property for charitable activities are eligible for tax benefits. Charitable donations by corporations exceeding the amount deductible from income tax can be deducted from taxable income over the following three years” (Article 80). It should be noted that the laws cited in this article only apply to POs eligible for pre-tax deduction.

The Enterprise Income Tax Law of 2018 provides details for corporate donors: “Of an enterprise’s charitable donation, the part which is not more than 12 percent of its total annual profits shall be deductible in the calculation of its taxable income; and the excess over 12 percent of its total annual profits may be carried forward for three years in the calculation of its taxable income” (Article 9). Prior to 2007, the deduction permitted by an earlier version of this law was as low as 3 percent without carryover. The Ministry of Finance and the State Taxation Administration for the first time issued an announcement clarifying the procedure of donating marketable securities and equity in 2016.

Pre-tax deduction for individual donors has become much easier than before. Wang Zhenyao, a prominent nonprofit practitioner, told a story about changes in charitable donation deductions. In 2005, after donating CNY 500 (about USD 75), he went through 10 steps over two months to obtain a CNY 50 deduction in his income tax. In 2013, it took him only one step to claim the deduction from another donation. The Individual Income Tax Law of 2018 establishes that “[t]he part of income donated by an individual... may be deducted... to the extent of 30 percent of the taxable income... [D]onations... may be deducted in full” under certain circumstances (Article 6). In 2019, the Ministry of Finance and the State Taxation Administration detailed the implementation of relevant articles in this law in the Announcement on Individual Income Tax Policy in Relation to Charitable Donations Overall, now the tax system is favorable for making charitable donations.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 2.8

POs do not obtain favorable tax status upon registration. They later may acquire the tax-exempt qualification, the pre-tax deduction qualification or both. The latter means the deduction of the donation from donors’ income before tax. According to the “Announcement on Matters Regarding the Recognition and Management of the Tax-Exempt Qualification for Nonprofit Organizations” (2018), a PO may apply for the tax-exempt qualification if 1) it commits all revenues to charitable or nonprofit activities as set out in their bylaws, except for reasonable operational expenditure; 2) it does not distribute assets and profits; 3) its salary is less than twice the average salary among

comparable organizations within the registering jurisdiction; and so forth. Among many documents to submit, POs must include last year’s financial report. The tax-exempt qualification is valid for five years.

The “Announcement on Issues Regarding the Pre-Tax Deduction for Charitable Donations” (2020) lists conditions for awarding the tax-exempt qualification: 1) The PO should submit requested information from the last two years if it has not been awarded such qualification before; 2) it must meet specific spending requirements; 3) it has acquired the tax-exempt qualification and the qualification is still effective; 4) it was not administratively penalized or included in the blacklist of dishonest organizations in the last two years; and 5) it has achieved 3A or above (the highest being 5A) in the social organization evaluation and the evaluation is still valid. The pre-tax deduction qualification remains valid for three years once awarded.

While the tax-exempt qualification is obtainable to a wide range of organizations, the pre-tax deduction qualification applies to POs conducting charitable activities, and is more difficult to acquire. Despite this, the application procedures are better defined than before. Research finds that the amount of charitable donations to Chinese foundations is positively related to attaining both qualifications, though the relationship is stronger with the pre-tax deduction qualification.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 2.4

In 2020, the State Administration of Foreign Exchange issued the “Guidance on Foreign Exchange Business.” The Guidance is a consolidated document that confirms and expands multiple past notices and decisions. Under the Guidance, domestic corporations, governments at the county-level and higher, and social associations that are exempt from registration (e.g., All-China Women’s Federation and Red Cross Society of China) must open a current account for donated foreign exchange at designated banks, which are the only channels through which they are permitted to make donations to overseas POs.

Domestic corporations should submit the following documents to the bank: an application, a photocopy of the business license, the donation agreement, proof of the overseas PO’s registration, and additional documents if the aforesaid materials cannot satisfactorily authenticate the transaction. Eligible government agencies and social associations only need to provide an application. The Guidance for the first time included “other domestic institutions,” implicitly referring to domestic POs. To send cross-border donations, domestic POs must provide at least an application, a photocopy of registration, and the donation agreement.

The “Measures for the Administration of Individual Foreign Exchange” of 2006 briefly state that domestic individuals who donate overseas must abide by relevant provisions and seek the approval of the foreign exchange department. The “Detailed Rules for the Implementation of the Measures” of 2007 specifies that donations are non-commercial foreign exchange under the current account, and thus subject to a cap of USD 50,000 per year. However, individual donors may apply for an exception at the bank.

Overall, sending cross-border donations is difficult and expensive (being ineligible for the pre-tax charitable deduction) due to China’s tight control of foreign exchange. Such donations are often resented by the public. Domestic organizations that conduct philanthropy abroad or provide aid to foreign countries usually have state backing.

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 2.4

The Charity Law of 2016, the Law on Donations for Public Welfare of 1999, the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange of 2007, the Interim Measures for the Exemption of Import Duties on Charitable Donated Materials of 2015, and the Guidance on Foreign Exchange Business of 2020 create the legal framework for domestic institutions and individuals to receive overseas donations.

Eligible recipients of overseas donations include POs, governments at the county-level and highernments, social associations exempt from registration, and individuals. Overseas donations can be either in cash or in kind for charitable purposes. To receive overseas cash donations, institutional recipients must open a current account for donated foreign exchange at a designated bank. Other methods violate the law. Individual recipients should receive no more than USD 50,000 per year; otherwise, they must request special approval at the bank. Recipients should provide the same documents as required for remitting donations abroad.

Overseas in-kind donations include necessities, food and drinking water, medicine and medical equipment, school supplies, and environmental protection equipment. Such donations are eligible for a reduction or exemption from import duties and import value added tax. However, this favorable tax treatment only applies to a small number of institutional recipients, such as national and provincial POs that have achieved 5A in the social organization evaluation. The burden of applying for the tax reduction and exemption is on the recipients. The overall procedure lacks clarity.

This legal framework effectively cuts off “suspicious” sources of overseas funds to domestic POs, especially those that are unregistered or deemed threatening by the state, since the state monitors such transactions closely. To a certain extent, the shortage of overseas donations is reducing the number of environmental and advocacy POs and may eventually the harm the robustness of civil society.

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 2.4

China is an authoritarian state where the Communist Party holds the paramount power. The party-state plays a dominant role as governor and supplier of social order and public services. Against this political backdrop, POs have not developed organically, but initially have been created. In fact, POs emerged as the government's governing and fundraising arms to regain legitimacy after decades of economic stagnation. In the past, PO policy was characterized by experimentation, hidden rules, and fragmentation. The most recent nonprofit lawmaking, however, indicates that the state is making efforts to institutionalize more centralized norms regarding POs.

This process has been referred to as an administrative absorption of society, through which the government engineers POs into service providers by allure, coercion, and organizing its own POs. Those POs in turn help strengthen the regime. The Xi administration imposed tighter control over individual freedom of speech and association. The gray areas in the nonprofit sector retreated, resulting in a clearer boundary between the open and closing space for civil society. Politically antagonistic POs are further marginalized through the registration process, funding, and differential implementation of laws and regulations. These trends have led to some scholars' warning of a forthcoming neo-totalitarian era.

The following is a brief list of characteristics of POs in today's China: 1) limited autonomy to varying degrees; 2) actions directed by funders who are often government agencies; 3) focused on issues as directed through the party-state, often normative; 4) largely hierarchically structured; 5) bounded by the state agenda; and 6) embedded in the state through affiliation or party building. Meanwhile, the representative offices of overseas POs are vulnerable since they are subject to the management of public security bureaus. In sum, the government manufactured a civil society that is otherwise confrontational to its own advantage.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 3.1

The Chinese government launched an unprecedented nonprofit policymaking with the Charity Law in the 2010s. These policies, in a collective manner, intended to clarify confusion, eliminate inconsistencies, standardize fundraising, reporting, information disclosure, internal governance, and government purchase of services, and improve nonprofit capacity. In 2017, the 19th National Party Congress even granted POs a consultant status on environmental matters. Regardless of the continuous suppression of certain POs, these policies affirmed the government's recognition of POs' contribution to public welfare. Scholars have labeled this wave of nonprofit policymaking as a dual policy approach and divide-and-rule.

Within their discretion, some subnational governments provided greater access to registration, such as reduced registered capital for registration and exemption from obtaining sponsorship from a governmental agency before requesting registration. Certain credentials, such as successful annual inspection, the pre-tax deduction qualification, and a certificate of 3A or above from the social organization evaluation, are required for funding consideration. Some subnational governments have established incubators to support nonprofit startups. The Communist Party reiterated its discouragement for government employees from assuming positions in POs. There is also evidence that the state shifted its direct involvement in PO operation to indirect control.

In terms of government grants (such as contract and subsidy), findings are mixed. Some research indicates that POs' political connections matter the most. Some argue that government agencies appreciate POs' expertise and performance when making grant decisions. And others observe formal collaboration between government and POs in the aftermath of natural disasters, but note that these relationships tend to be hierarchical and control-oriented. Despite the lack of equitable cooperation, the findings indicate increased mutual understanding and prospects for effective collaboration.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 3.7

From 2000 to 2019, China's annual GDP growth averaged 9 percent, reaching USD14.34 trillion by the end of this period. In 2010, China overtook Japan to become the world's second largest economic power behind the United States. Chinese entrepreneurs began to appear in the worldwide list of highest-ranking net worth individuals in the last two decades. In 2019, China's GDP per capita exceeded USD 10,000 for the first time. In 2020, China was one of the few major economies to increase its GDP by an estimated 2.3 percent. Overall, the economy is stable, but its sustainability is worrisome if China continues to rely on infrastructure projects and to disregard environmental problems.

The rapid economic development contributes tremendous resources to the philanthropic sector. According to Giving China, donations amounted to CNY 150.9 billion (about USD 21.9 billion) in mainland China in 2019, five times the amount in 2007. Among the total, corporations and individuals donated CNY 93.1 billion (about USD 13.5 billion) and CNY 39.8 billion (about USD 5.8 billion), respectively. The amount of individual donations was CNY 28.4 (about USD 4.1) per person, or 0.0009 percent of the per capita disposable income. Foundations have become the largest charitable giving recipients, receiving CNY 67.7 billion (about USD 9.8 billion). In fact, the number of foundations increased more than eightfold, rising from 892 in 2004 to 7,585 in 2019 greatly due to corporate contributions.

From about 2010, state-owned enterprises began to increase in number and assets, while strengthening their dominance in finance, telecommunication, energy, and other key industries. Despite the party-state's favorable rhetoric of the private economy, private firms face more difficulty in gaining industrial access, bank loans, and government procurement. Corruption may occur when

private firms seek policy preference. Multiple studies confirm that private entrepreneurs gain political resources and protection for their property through generous donations.

VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 3.7

China has a long tradition of philanthropy thanks to Confucianism, Moism, and Buddhism, which teach compassion, altruism, and kindness. The oldest types of POs, called *yicang*, can be traced back to the 10th century. *Yicangs* provided for ritual and educational expenses among other causes. However, the decades-long socialist movement such as the Cultural Revolution (1966–1976) effectively erased the people’s collective memory of associational life. People became used to relying on the government for income, education, and welfare. The situation did not change until the privatization of the economy took place. In recent years, traditional values began to regain recognition and influence.

Several historical events, such as the Beijing Olympics (2008) and the Wenchuan earthquake (2008) greatly contributed to people’s awareness of philanthropy and volunteerism. Meanwhile, scandals related to the philanthropic sector, including the Guo Meimei incident (2011) and illegal fundraising by the Henan Soong Ching Ling Foundation (2011) brought the public’s attention to the issue of transparency among POs. In the 2010s, five universities started offering undergraduate or associate degrees in philanthropic management. From 2012, Shenzhen began to host the annual China Charity Fair with state support.

Civic efforts have also advanced philanthropy. Celebrities helped mobilize private wealth to the philanthropic sector. A few watchdog and self-regulatory organizations have also emerged. Tencent Holdings Ltd. launched the “9/9 Philanthropy Day” in 2015. Every year around September 9th, Tencent and other participating corporations provided matching funds to online donations made on the designated platform. In 2020, the three-day event raised CNY 3.04 billion (about USD 441 million) from 5.78 million people, thousands of POs, and more than 10,000 corporations. Most of the individual donors were young Internet users. Overall, the socio-cultural values and practices are favorable for philanthropy, albeit narrowly defined by the Charity Law.

VII. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

According to the Ministry of Civil Affairs, 866,335 POs employed 10.37 million people, and 16.64 million people volunteered 43.27 million hours in 2019. All these figures have increased from years prior to 2018. Yet the Charities Aid Foundation (CAF) World Giving Index 2019 ranks China the lowest out of 126 countries in terms of helping a stranger, donating money, and volunteering time. This discrepancy is revealing rather than contradictory. First, people’s knowledge of POs remains

relatively low. Many POs are public institutions and their employees are state-salaried. Private hospitals and schools are usually registered as social service organizations. After these POs are excluded, the balance hires only a small workforce. Second, the majority of POs are very small in size. Both these factors result in the philanthropic sector not being amply visible to the public. Third, many volunteers are nonprofit practitioners and college students. Volunteering is not yet common among the population.

Another two issues are also worth mentioning. First, about 600 million Chinese earn a monthly income equivalent to CNY 1,000 (about USD 145) per person in their households. For this population, donation is impractical. Individual donations are largely from high net worth individuals and in part from state-salaried employees and party members upon the request of the party-state. Second, Chinese POs largely failed the test presented by the COVID-19 pandemic. Shortly after the outbreak, the Ministry of Civil Affairs requested all donations to Wuhan be handled by five government-affiliated POs. One of the five, the Wuhan Red Cross Society, became a major distributor of donated medical supplies but was caught misallocating masks, gifting masks to government officials, and being extremely slow in logistics. Many donors then had in-kind donations mailed directly to hospitals or transported by unorganized volunteers. This is not a standalone case. Overall, POs are still short of capacity and accountability; government-affiliated POs remain privileged donation recipients.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. In 2018, the revised Enterprise Income Tax Law stipulates that enterprises' charitable donations be deductible up to 12 percent of their total annual profits and the excess be carried forward to the same extent for three years in the calculation of their taxable income.
2. The revised Individual Income Tax Law (2018) establishes that individual donations may be deducted up to 30 percent of taxable income.
3. In 2020, during the 9/9 Philanthropy Day (September 7th–9th), Chinese Internet users, corporations, and POs donated a record high CNY 3.04 billion (about USD 441 million).

Future development trends in the philanthropic landscape

The past three years (roughly 2018–2020) witnessed not only the continued increase in the number of POs, charitable donations, philanthropic sector employment, online philanthropy, and volunteering, but also a faster pace in global learning and technological advancement. Nine Chinese organizations passed B Lab's test to become Certified B Corps in 2020, boosting the total to 19 by February 2021. In 2017, the China Charity Fair changed the criteria for profits distributable from 0 percent to 35 percent for the social enterprise certification. In 2018, Shenzhen launched a social impact bond, the first of its kind in China. Several cities hosted international symposiums on nonprofit marketization, and social impact investing drew attention. In 2018, the Ministry of Civil Affairs approved 9 new crowdfunding platforms in addition to the other 11 approved in 2016. According to Block Data's 2018 report, China is a leader in adopting blockchain in the philanthropic sector. Corporations such as Alibaba and Tencent provide blockchain technology to POs. In addition, the philanthropic sector welcomed the first cohort of college graduates who completed a four-year education in philanthropic management in 2018. To varying degrees, China addressed all the recommendations that UNDP proposed in "Unleashing the Potential of Philanthropy in China" (2015).

The above trends are uplifting but just one side of the story. Some problems remain and need continuous efforts, such as the lack of capacity and accountability in the philanthropic sector that we saw in 2020. Meanwhile, flourishing charitable POs contrast frustrated advocacy-focused POs that pursue objectives intolerable by the party-state. Unable to register, these advocate POs remain underground and thus are prohibited from fundraising. Domestic donors, particularly large ones, avoid POs that may cause them trouble. Profound improvement to the environment of these POs, which may require political reform, will hardly occur in the foreseeable future.

Three key recommendations to improve the environment for philanthropy

- Currently, there are only a few grantmaking foundations. In 2018, Qiwo Foundation estimated that grantmaking foundations were between 20—30, out of more than 6,500 registered foundations. A sizable group of grantmaking foundations may have the potential to advance the knowledge and practice of the philanthropic sector. The government may provide incentives for foundations to commit grants to other forms of POs.
- In 2016, the General Office of the CCP Central Committee and the General Office of the State Council issued the “Opinion on the Reform of the Social Organization Management System and Promotion of the Healthy and Well-Ordered Development of Social Organizations.” The Opinion urges all levels of governments to help social organizations improve capacity. Yet so far, most of the measures have focused on behavioral control rather than capacity building in fundraising and program implementation. Government may consider creating genuine opportunities for POs to improve capacity and professionalism.
- In 2017, the 19th National Party Congress awarded POs consultant status in the policy area of environmental protection. Some scholars anticipated a shift from a contingent to a procedural consultation style. However, no formalized consulting procedure was reported by either national or subnational governments or environmental POs during 2018–2020. POs still have a minimal impact in policy making. The government may clarify the channels and procedures for environmental POs to participate in policy making and gradually expand the consultant status to POs working on other issues.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

The nonprofit sector and philanthropy played four roles in responding to COVID-19. First, corporations, POs, and individuals donated large amounts of money and medical supplies. According to the State Council Information Office’s white paper, as of May 31, 2020, POs had received CNY 38.93 billion (about USD 5.65 billion) and 990 million items of in-kind donations. The cash and in-kind donations substantially relieved resource shortages, especially in the COVID-19 pandemic’s early stages.

Second, POs and volunteers provided services. For example, collecting donations and medical supplies, providing basic support to people confined at home, and online psychological counseling.

Many informal groups provided travel and taxi services, hotel accommodation, and translation. When the formal channels of philanthropy did not work well, informal channels made it possible for citizens to continue their efforts. The same white paper estimates that by the end of May 2020, 8.81 million registered volunteers had contributed more than 290 million service hours.

Third, POs facilitated information dissemination. To reduce misinformation and information asymmetry, POs utilized information and communication technologies to distribute medical supplies, such as matching resources to the proper recipients. Two POs in collaboration with a technology company launched the YunNiXing COVID-19 Support Platform to provide detailed information on existing demand, suppliers, and POs. Alibaba Foundation, Jack Ma Foundation, and the First Affiliated Hospital, Zhejiang University School of Medicine (FAZHU) compiled a handbook for COVID-19 prevention.

Fourth, POs promoted public awareness of marginalized and high-risk groups. Some POs called for assistance for these groups, including medical workers, sanitation workers, volunteers, and disproportionately impacted low-income families. For example, after realizing impoverished students did not have the access to online courses, some POs recycled used electronic devices and purchased online learning equipment for those students with the proceeds.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

We can detect three trends in the nonprofit sector and philanthropy. First, the government increasingly encourages domestic POs to go abroad and help other countries, especially those related to its Belt and Road Initiative (Yidai Yilu) and those where China has strong business interest. On April 10th, 2020, the Ministry of Foreign Affairs declared that local governments, corporations, and POs had donated medical supplies to more than 100 countries and international organizations. Online Chinese news media outlet The Paper (Pengpai Xinwen) reports that by April 15th, 2020, domestic POs had or were planning to provide aid to more than 150 countries. POs who conduct philanthropy overseas are usually regarded as non-governmental diplomats who help the state build soft power. However, as of 2020, private POs have been active in overseas philanthropy as well.

Second, the rise of PO networks, coalitions, and partnerships during the pandemic is promising (Hu & Sidel, 2020). For example, the One Foundation activated the first-level response to COVID-19 and led and connected nearly 798 POs by January 22, 2020. The China NGO Consortium for COVID-19, a network of large foundations and service POs, has funded more than 300 POs since February 2020. The Consortium designated 10 hub POs each in one province to coordinate the local battle against COVID-19. Smaller and local PO networks, coalitions, and partnerships also existed.

Third, a trend that continues from the 2008 Wenchuan earthquake is the government's centralized manner of dealing with emergencies. During the pandemic, what happened looked familiar: most donations went to government-organized POs, the government immediately took control of the relief work, volunteers were prohibited from going into the most affected areas, and the disaster became propaganda rhetoric for nationalism. Scholars saw an emerging civil society after the earthquake disaster, but today, this nascent sector has made very limited progress on state-PO relations.

Impact of COVID-19 on the philanthropic environment

Some observers claim philanthropy has played an important role in coping with COVID-19. Others, however, argue that the centralized political regime leaves little room for POs' involvement during the pandemic, resulting in a vulnerable and marginalized philanthropic sector (Dong & Lu, 2020). First, the party-state controls social resources. During the crisis, the government can promptly secure the delivery and coordination of all kinds of efforts to ensure relief and stability. For example, the central government designated five government-organized POs to receive and distribute donations right after the outbreak of the pandemic.

Second, the government is concerned about truly mobilizing philanthropic resources (Dong & Lu, 2020). Throughout the pandemic, POs have been under tight government oversight and regulation. For example, the Ministry of Civil Affairs required that all voluntary activities must obey the leadership of Hubei Provincial government on epidemic prevention and control and prohibited POs located outside Hubei from sending in staff or volunteers. Third, POs lack sufficient capacity and infrastructure to play a larger role. For example, a survey reveals that in Beijing, only half of the service delivery POs participated in anti-COVID-19 activities, and only about 5 percent engaged in frontline work, which was largely peripheral.

Furthermore, despite a decent number of volunteers contributing hundreds of millions of service hours, most volunteers and community-based POs were organized or even directly managed by government agencies. Again, these activities are subject to the party-state approval. Some research refers to service by volunteers and community-based POs as citizen-state or PO-state coproduction. Such conclusions should be dealt with caution because of the unbalanced power between these two actors and the temporary nature of their working relations. A less biased narrative is that COVID-19 reveals the tension between the state and the philanthropic sector, and that the latter can only operate within the state.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

Despite the favorable economy, policy, and socio-cultural values for philanthropy during 2018–2020, the COVID-19 pandemic hit the nonprofit sector and revealed its vulnerability that before have been largely untested. A survey of 151 Beijing-based POs (most being small and medium) conducted in June 2020 reports the following results: 1) 92.72 percent of the POs were negatively affected by the pandemic, and 13.91 percent were facing the risk of shutdown; 2) 78.15 percent could exist for no more than six months with remaining funds, and 13.91 percent would deplete their funds within one month; 3) in comparison to the same period of the previous year, 76.35 percent reduced services, 39.19 percent lost staff, and 29.13 percent cut operational spending; 4) in comparison to the same period of the last year, 75 percent of POs generated less income, and 56.08 percent suffered a 20 percent or more loss of income.

Yet many POs demonstrated certain resilience and adaptability. The same report finds these POs took measures to survive. Internally, about 50 to 70 percent of POs adjusted their activities, personnel responsibilities, management, and/or spending to cope with impacts from COVID-19. Externally, 37.75 percent invested more effort in fundraising or financing, 36.42 percent tried seeking government support, and 73.51 percent resorted to strengthening collaboration with other POs. POs may permanently adopt such measures in 2021 and beyond.

Some research argues that corporations tend to over-donate in the years of crisis in response to the government's call for support and reduce donations in the following years. As a result, the amount of corporate donations may drop in 2021 after a year in which donations primarily went to COVID-19 related causes. In addition, receiving government grants is uncertain. Service POs need to explore new sources of revenue.

Civil society has barely advanced in terms of state-PO relations since early 2020. The Xi administration has attributed its success to centralized command and party leadership that guided citizens and POs. The political environment for philanthropy will not improve much in and after 2021.

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