Survival or Crisis? Funding Distribution from Grant-Making Foundations to Grassroots Social Organizations in China

ABSTRACT The 2008 Wenchuan earthquake increased the need for disaster relief and reconstruction projects in China. This disaster created an upsurge of Chinese grant-making foundations, which then increased funding expectations. Many grassroots social organizations (SOs) in China believed that going forward, this level of funding would continue. However, the majority of grassroots SOs in China are currently facing an existential crisis. Their survival is being threatened by a shortage of funding from both local and foreign grant-making foundations. This research uses an empirical analysis of grant-making foundations and in-depth interviews, as well as observational evidence accumulated over a 10-year period, to explore the distribution of funding from foundations to grassroots SOs in China. The findings show that there are a limited number of Chinese grant-making foundations and that the foundations that exist do not include grassroots SOs in their funding scheme.

KEYWORDS grant-making, foundation, grassroots SOs, funding scheme, funding distribution

INTRODUCTION

Grants are important means of support for grassroots social organizations (SOs). However, most public fundraising foundations (PFFs) in China operate through a governmental “closed way” administrative funding distribution system (Xu, 2010, pp. 198–199). PFFs opt for safety, allocating funding within government mechanisms, and remaining cautious about grassroots SOs due to little interaction in the past. Meanwhile, funding shortages and insufficient project implementation capacities continue to affect the organizational development of grassroots SOs. Specifically, grassroots SOs face a lack of funding in their early stages, which makes it difficult for them to hire professional staff, carry out effective projects, and improve their governance structures, resulting in a vicious cycle. While Chinese foundations struggle to find grassroots SOs they deem worthy of funding, the growth of grassroots SOs is stunted by a lack of funding and insufficient capacities, leading them to appear unworthy.

The desire to undertake this research project stemmed from one author’s experiences as an employee in two Chinese grassroots SOs: Pesticide Eco-Alternatives Center, which was founded in 2002, and Eco-Women Network, founded in 2001. She worked with these SOs from 2008 to 2019. She began in her position as a chairperson and lead
fundraiser for Eco-Women Network just as Chinese foundations’ interactions with other SOs began. A sudden withdrawal of overseas funding necessitated that she obtain domestic funds and led her to contact many Chinese foundations between 2014 and 2018. Unfortunately, she found that very few of these foundations provided grants to grassroots SOs.

Considerable efforts have been undertaken to explain the challenges facing nongovernmental organizations (NGOs) in resource mobilization and the relation between granters and grantees internationally. Academics believe that the common challenge faced by grassroots SOs is unlimited demand with limited financial resources (Batti, 2014; Gregory & Howard, 2009). However, although Chinese foundations emerged in the mid-1980s, few scholars were concerned with foundations at that time. The research of foundations is still a nascent field in China (Fulda, 2017; Chan & Lai, 2018; Shieh, 2017). Until now, the literature has not touched on this topic very well due to data scarcity. According to Wang (2018), the landscape of Chinese foundations has already changed from being government-backed to a more diversified operating model. Besides, scholars noted that communication between foundations and grassroots organizations in China is poor, and it is very difficult for foundations to find grassroots SOs capable of implementing projects and achieving mutual goals (Shieh, 2017; Chan & Lai, 2018; Xu, 2010; Kang, 2019; Fulda & Hsu, 2020), while very few studies until now have outlined the interaction between foundations and grassroots SOs (Spires, 2011a). This topic can also illuminate the broader issue of SO activity in single-party communist and post-communist states, perhaps contributing to more comparative research.

There are two important reasons to investigate the number of grant-making foundations that exist in China and examine their funding distribution. First, Chinese foundations, especially grant-making foundations, are regarded as the main source of support for grassroots SOs. However, there is still a gap between the number of Chinese grant-making foundations and how much of their distribution scheme takes grassroots SOs into account. Although the Chinese government cut off overseas funding in support of grassroots SOs around 2010 and some grassroots SOs have encountered financial difficulties, the role of Chinese grant-making foundations is more prominent than before. As such, foundations are a fascinating topic for research since they stand out for both diversity in terms of means and ways to achieve their aims. Given that grant-making foundations appeared after 2008, previous academic research has not explicitly revealed the number of grant-making foundations or the logic behind their funding distribution mechanisms. Second, gaining an understanding of how such funds are distributed could theoretically help grassroots SOs shape their fundraising strategies, which could be a critical component for their survival in China. Thus, this research, by examining the activity of Chinese grant-making foundations, could contribute to the growth of the third sector, referring to the voluntary sector and consisting of nongovernmental and nonprofit organizations, in China.

The objective of this study is to explore the distribution of funding from foundations to grassroots SOs and to evaluate the interaction between them. To achieve this, it investigates the number of existing grant-making foundations in China and the logic
behind their distribution strategies based on the discussion of two grant-making foundations. Furthermore, it examines why Chinese foundations are not inclined to work with grassroots SOs and, particularly, why the number of grants provided to SOs by foundations remains limited. In approaching our hypothesis, we have addressed the following research questions:

1. Why do Chinese grant-making foundations not include grassroots SOs in their funding schemes?
2. To what extent do Chinese grant-making foundations distribute funds to grassroots SOs, and how is this associated with expectancy and resource interdependence?

DEFINING GRANT-MAKING FOUNDATIONS AND GRASSROOTS SOS IN CHINA

Defining the Chinese third sector, especially grassroots nongovernmental and nonprofit organizations, is always a controversial task (Ma, 2002). Currently, the Chinese party-state is actively shaping the domestic discourse on civil society by labeling civil society organizations (CSOs) (minjian zuzhi) as SOs (shehui zuzhi). In this article, we adopt the term SOs to refer to what were previously called CSOs. The views of the role of SOs expressed by respondents are in part developed by a tightening political control of authoritarian government on much of civil society after 2013. For the most part, our analysis is based on the research and long-term observations of many social organizations in China.

Grant-Making Foundations

This study adopts its definitions regarding grant-making foundations from the widely applied Regulations on the Management of Foundations (RMF-2004). All of the Chinese foundations that are mentioned and interviewed in this study have been formally registered in line with RMF-2004. These regulations define a foundation as

a non-profit legal entity established in accordance with these regulations that employs assets donated by actual persons, legal entities or other organizations for the purpose of engaging in some public benefit enterprise. (RMF-2004, Article 2)

According to RMF-2004, there are two legal forms of foundations in China: PFFs and nonpublic fundraising foundations (NPFFs). These foundations are classified according to their funding sources; the basic difference between the two is that PFFs can publicly raise funds while NPFFs are not allowed to do so.

However, this is not the only way in which foundations are categorized. Scholars have divided foundations into grant-making and operating foundations according to the type of activity carried out by the foundation. More comprehensively, Anheier (2001, p. 5) proposed these three categories of foundations: grant-making, operating, and mixed.

Some Chinese foundations claim to be grant-making foundations; yet, in reality, they run their own projects rather than dedicating themselves to providing grants. According to categorizations by Anheier (2001), very few foundations in China are categorized as
pure grant-making or operating foundations. Thus, this study examines those foundations in China that claim to be grant-making foundations in their positioning or strategy as outlined by their foundation statements.

Grassroots SOs
The concept of a grassroots SO has always been ambiguous in China (Spires, 2011b). It is difficult to give a precise definition of a Chinese grassroots SO for various reasons, the primary reason being that the term “grassroots SO” or “grassroots organization” is not an official term. According to Chinese law, grassroots SOs fall under the blanket term of “social organizations.” Internationally, grassroots SOs include many kinds of illegal, unregistered SOs. Based on in-depth interviews and long-term observations of numerous SOs in China, we propose three characteristics when defining a grassroots SO in this study.

The first and most critical characteristic relates to the registration authority of formal laws and regulations. For an organization to be considered an SO, it must be legally registered as an SO. Second, SOs are nongovernmental in nature. For example, many organizations are legally registered as SOs but are operated by various government departments or as supplementary agencies, and thus cannot be identified as SOs. Third, SOs are nonprofit organizations.

In this study, the term “grassroots SOs” refers to organizations that are both independent of civil society organizations and separate from government foundations. Thus, mass organizations and government-organized nongovernmental organizations do not qualify as research subjects in this analysis. Furthermore, SOs that are registered as business groups and unregistered grassroots SOs did not qualify for inclusion.

PREVIOUS STUDIES ON THE INTERACTION BETWEEN FOUNDATIONS AND GRASSROOTS SOCIAL ORGANIZATIONS
After the 2008 Wenchuan earthquake, the effect that foundations had on Chinese society through their funding of grassroots SOs led researchers and practitioners to examine the interactions between Chinese foundations and grassroots SOs, especially SOs with few ties to the government. Liu (2011) identified and analyzed five supply methods private grant-making foundations used to provide support to grassroots SOs: direct supply of funding, direct supply of services, indirect supply of funding, indirect supply of services, and support provided by foundation agents.

Another study found that the collaboration among different SOs, including SOs and foundations, was an action strategy subject to internal organizational limitations and external institutional restrictions, creating informal or incomplete collaborations (Zhu & Lai, 2014, pp. 191–192). These incomplete collaborations are based on a temporary agreement, and thus are fragile and weak. Lai et al. (2015) clearly demonstrated that little evidence of widespread formal collaboration between grassroots SOs and new philanthropic foundations exists. The Chinese government prioritizes structuring
foundations in key and consequential ways, which results in this lack of collaboration. This has always been the case despite a rapid increase in the number of NPFFs in China.

Fulda (2017) examined how foreign and domestic foundations interacted with Chinese SOs in the context of mainland China. He observed the operations of both public and private, operating and grant-making Chinese foundations. He claimed that Chinese foundations, by operating their own projects, excluded grassroots SOs from their activities. In other words, he found that Chinese foundations were generally unwilling to provide funds for grassroots SOs, whereas foreign foundations preferred to give grants directly to grassroots SOs in China. Then, grassroots SOs that rely on overseas foundations as their main source of funding would face severe funding shortages after the withdrawal of overseas funding.

In an article published in 2017, Shieh discussed the different paths taken by foundations and grassroots SOs in China. He explained that Chinese foundations tend to be organized in a manner consistent with government and enterprise structure; foundations emphasize the importance of professional, innovative, and results-driven assessments. Meanwhile, grassroots SOs tend to be more independent, meet beneficiary needs effectively, and make comprehensive assessments. Using an approach that was both practical and theoretical, Shieh found that foundations constantly attempted to stress the importance of marketization and commercialization to the SOs to which they provided grants. This “marketization logic” is reluctantly applied by grantees to their work to enhance their capacities and efficiency, which in turn satisfies the grant-making foundations’ expectations. Thus, previous research has highlighted that conflict exists between foundations and grassroots SOs. Although foundations and grassroots SOs are, in concept, both civil society organizations, Chinese foundations fail to support grassroots SOs because of their different paths and viewpoints.

Another piece of seminal research into Chinese grant-making foundations is a study that was conducted by the Woqi Foundation (2018). This study lists 11 influential Chinese foundations in a state of transitioning toward providing greater support to grassroots SOs via various pathways. However, this research does not provide exhaustive documentation as to why and how these foundations began funding grassroots SOs. Nonetheless, 11 case studies specially concerned with grant-making foundations have provided a useful reference for future studies of grant-making foundations in China.

Chan and Lai (2018) claimed that many Chinese foundations had changed from a statist model to a corporatist model. However, most foundations still did not cooperate with grassroots SOs, and only a few foundations had begun to provide small grants to grassroots SOs. The most recent study investigating this topic was conducted by Kang (2019), whose results indicated that NPFFs’ connections with Chinese grassroots SOs remain largely unexplored. Thus, this study addresses a significant gap in how foundations interact with grassroots SOs in China. It responds to Lai and Spires’s (2020) article that discusses the appearance of grant-making foundations and the shaping behavior of nonprofit marketization, which affects the development of grassroots SOs by investigating the conflicts between them.
Although the above-mentioned studies have begun to realize the important role of foundations in grassroots SOs, related research is still relatively weak and indirect, and there is no comprehensive explanation of the extent to which Chinese foundations support grassroots SOs and the problem during the funding process. Given the ongoing social transformation and the complex political influences, we intend to present this article in such a way that it can address the major research points related to foundations from a unique scholar-practitioner perspective. Although we agree that only a few Chinese foundations contribute to the survival of SOs (Shieh, 2017; Chan & Lai, 2018; Fulda & Hsu, 2020), we argue that Chinese foundations do not include grassroots SOs in their funding scheme. The limitation of previous research is that it neither explicitly pointed out the foundations that fund grassroots organizations, nor pointed out the problems in terms of current ongoing interactions between foundations and grassroots SOs. Next, we review the number of grant-making foundations in China.

How Many Grant-Making Foundations Exist in China?
The amount of funding provided to grassroots SOs from Chinese foundations is difficult to determine. The boundaries of quasi-cooperation are blurred by issues such as the way funds flow between foundations. Funds may be hastily delivered or provided only once, or a collaboration between a grassroots SO and a domestic foundation may be brief. This is further complicated by the number of unregistered grassroots organizations, which makes it difficult to determine the overall number of grassroots SOs.

Thus, the lack of basic information and data on Chinese grant-making foundations has resulted in confusion surrounding the topic of grant-making programs and grant-making foundations in China. Furthermore, given numerous unregistered grassroots SOs in China and the lack of legal supervision within these SOs, it is hard to determine how many grants have been given to support these unregistered organizations. Nonetheless, it is possible to use observational data to systematically fill in the gaps and prepare general, if not somewhat limited, reports. Some evidence of Chinese foundations' activity in 2010 was provided by Xu:

As early as 2010, studies claimed that the donation income of PFFs throughout the year was 15,171,778,585.45 RMB, while their public welfare expenditures were estimated at 12,745,629,492.00 RMB. If PFFs are supposed to spend 10% of their expenditures in cooperation with grassroots SOs, 1.27 billion RMB, a considerable amount of funding, should be provided to grassroots SOs. However, Xu claims that the funding support PFFs provided to grassroots SOs' projects in 2010 did not exceed 1% of foundations' expenditures. (Xu, 2012, in Blue Book of Philanthropy: Annual Report on China's Philanthropy Development 2012, pp. 129–130, translated by the author)

Grassroots SOs' funding was subject to significant changes after 2008. SOs that had received funding from foreign organizations saw a sharp reduction in funding after 2016 when new legislation banning funding from overseas foundations was passed. At the same time, the number of grants and the amount of funding made available by domestic foundations were far from sufficient to support grassroots SOs, continuously threatening...
their survival. Moreover, grassroots SOs’ applications for funding are often unsuccessful, particularly when funds are required for the development of politically sensitive projects.

To analyze and evaluate the interactions between foundations and grassroots SOs, we first aimed to determine how many Chinese grant-making foundations interact with grassroots SOs and to understand the processes involved in their ongoing interactions. Recent studies have failed to determine how many grant-making foundations exist in China. This information has not been made available by research papers nor has it been addressed in the public media, in part because Chinese scholars and practitioners disagree in defining and classifying Chinese foundations. The existence of multiple definitions and classification methods has caused variance in the numbers of foundations recorded depending on which definition is referenced. For example:


STATEMENT 2: Zhiyan Li, the current secretary general of the China Donors Roundtable, which was founded in 2015, found that there were approximately 20 to 30, but no more than 40, grant-making foundations in China (Li, 2019).


STATEMENT 4: The Beijing Woqi Foundation (2018) published a book that included an analysis of 11 well-known grant-making foundations. However, it must be noted that all 11 of these foundations were mixed foundations; that is, they were involved in their own projects and engaged in grant-making simultaneously (Woqi Foundation, 2018, p. 5).1

STATEMENT 5: Wang (2019) stated that there were more than 7,500 foundations in China by the end of 2019, of which less than 1% were grant-making foundations.

These statements illustrate that grant-making foundations are rare and that the statistics surrounding foundations are vague.

Based on the analysis of the 2013 and 2015 China Foundation Rankings and the verification of a large body of secondary data, only 17 grant-making foundations exist in China. Of these, 12 continuously and steadily provide funding to grassroots SOs, institutions, or individual projects. The remaining five do not provide funding to grassroots SOs. One of these foundations, Foundation 15, is positioned as a grant-making foundation and provides personal funding to individuals who are working for grassroots SOs but does not provide institutional or project funding.

1. Mixed foundations in this research refer to China Charities Aid Foundation for Children (CCAFC), China Foundation for Poverty Alleviation (CFPA), Beijing Warm Foundation, Zhenro Foundation in Fujian Province, Shanghai United Foundation (SUF), Alibaba Foundation, SEE Foundation, Xin Ping Foundation, China Social Entrepreneur Foundation, Guangzhou Harmony Community Foundation, and Narada Foundation.
DATA COLLECTION AND METHODOLOGY

The findings are based on semi-structured interviews conducted between March and May 2019 and include observational evidence one author gathered while working at two Chinese SOs, Pesticide Eco-Alternatives Center and Eco-Women Network, from 2008 to 2019. As the purpose of this study is to evaluate the interaction between foundations and grassroots SOs, the targeted interviewees are people from foundations that have interacted with grassroots SOs and employees of grassroots SOs that have interacted with foundations. Sampling is not done randomly because of the diverse features present in each of the varieties and the objective is to gather as great a diversity of opinions and materials as possible. These samples include organizations that can provide as much information as possible. Five cities were chosen as the focus locations—Kunming, Hangzhou, Guangzhou, Beijing, and Xi’an—and SO representatives from 11 cities were interviewed from March to May 2019. The representatives chosen for interviews came from diverse SO backgrounds: 16 were employed by foundations, 12 were employed by grassroots SOs, and 4 were scholars who had considerable experience working for foundations and grassroots SOs. Finally, 2 were representatives from well-known and influential platforms catering to Chinese foundations.

Additionally, we attended and made observations in two workshops during fieldwork in 2019; one focused on foundations’ grant-making approaches and another created by an influential grassroots SOs alliance. The first workshop discussed the attitude of the foundations’ staff toward grantees and their funding ideas. This enabled us to make observations useful to understanding the activities of grant-making foundations. The second workshop helped us to better understand the day-to-day operations of grassroots SOs and their experiences regarding foundations. In this way, the data were collected by direct observation, and then categorized and analyzed according to the themes derived from research questions. Coding in-depth semi-structured interview and observation transcripts was an important procedure of this study. Two cycles were implemented to read the transcripts and identify themes. The first cycle was to develop a coding scheme based on each interview question and to code the transcripts. The second stage was to describe and summarize the codes and the links between the themes. We used two influential, large-scale grant-making foundations—He Foundation in Guangdong Province and Narada Foundation in Beijing—as case studies due to their relevance to the research questions and their effect on the development of grant-making foundations. These two case studies explored whether their funding schemes include grassroots SOs or not. If grassroots SOs are not included in their funding scheme, then who does receive grants from them?

This study presents a comparative case analysis of the two foundations concerning their inclusion (or lack thereof) of grassroots SOs in their funding schemes. These two foundations were selected because they represent the two different grant-making approaches in China. The Narada Foundation is the most influential grant-making foundation in China, while the He Foundation is one of the largest foundations founded by entrepreneurs. The total expenditure of the Narada Foundation in the 10 years from 2008 to 2017 was 230 million RMB, of which less than 40% funded grassroots SOs. The He Foundation, which has assets
valued at 6 billion RMB, does not fund grassroots SOs. Rather, this foundation makes grants to several small foundations and large government-affiliated SOs. This study focuses on the He Foundation and aims to determine and examine the organizations included in its funding scheme. The promise of funding provided by these two foundations has brought hope to underfunded grassroots SOs. However, whether they have actually provided funds to grassroots SOs is worthy of exploration.

To better explain the number of grant-making foundations in China, we have created Table 1. This table lists 17 grant-making foundations that existed in China at the end of 2018 and include the Chinese foundations that utilized the word “grant-making” in their institutional strategy and those that have expressly positioned themselves as grant-making foundations. The statistics presented in Table 1 are based on the analysis of the field research and the verification of a large body of secondhand data. To verify this information, one author collected data on grant-making foundations during her employment at a grassroots SO, Pesticide Eco-Alternatives Center, between 2014 and 2018. Additionally, during this field research process, we interviewed experts and representatives from grassroots SOs and foundations to understand which Chinese foundations were grant-making foundations and which of them were involved in active grant-making practices and then, verified their responses. We also searched for partner organizations in the China Foundation Forum (CFF) and the China Donors Roundtable (CDR), two influential networks known for their work with grant-making foundations. Finally, we reconfirmed the list of foundations provided by the 2013 and 2015 China Foundation Rankings and then accessed each foundation’s website to systematically verify and screen each foundation included in Table 1.

Grassroots SOs’ Funding Expectations from Domestic Foundations

To identify the types of resources grassroots SOs needed to receive from domestic grant-making foundations, the following question was asked to interviewed grassroots SOs.

What resources does your organization need to receive from domestic foundations? Please describe them.

All 12 representatives from grassroots SOs who were interviewed expressed a need to receive financial resources from domestic foundations. In an interview conducted on 14 April 2019, a founder and leader of an SO in Dali said:

My grassroots SO cannot survive without domestic foundations. Foreign foundations have gradually withdrawn from China since 2010 and are unable to fund grassroots SOs if they do not register in China according to the requirements of the Overseas NGOs Law that was enacted in 2016.

This response indicates that grassroots SOs rely on domestic foundations as a major source of funding; however, it also touches on another issue. This representative suggested that the “Chinese government has seen overseas funding as unsafe,” perceiving foreign foundations as having political or religious motives. Six of the twelve representatives from grassroots SOs that were interviewed indicated that since the Chinese
government suspected overseas funding, which is not allowed in China, domestic funding became their main source.

The number of grassroots SOs in China has greatly increased over the past decades. A significant number of donations from the Chinese public have also been received by the government or government-affiliated agencies and charities, as indicated by the 2010 Report

<table>
<thead>
<tr>
<th>No.</th>
<th>Foundation</th>
<th>Registration level</th>
<th>NPFF/PFF</th>
<th>Year established</th>
<th>Interaction with grassroots SOs</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Beijing Warm Foundation</td>
<td>Local</td>
<td>PFF</td>
<td>1995</td>
<td>Y</td>
<td>Government-affiliated mixed foundation</td>
</tr>
<tr>
<td>2</td>
<td>Lao Niu Foundation</td>
<td>National</td>
<td>PFF</td>
<td>2004</td>
<td>Y</td>
<td>Entrepreneur founded; changed from NPFF to PFF</td>
</tr>
<tr>
<td>3</td>
<td>Youcheng Foundation</td>
<td>Local</td>
<td>NPFF</td>
<td>2004</td>
<td>N</td>
<td>Family foundation</td>
</tr>
<tr>
<td>4</td>
<td>Narada Foundation</td>
<td>National</td>
<td>NPFF</td>
<td>2007</td>
<td>Y</td>
<td>Entrepreneur</td>
</tr>
<tr>
<td>5</td>
<td>SEE Foundation</td>
<td>National</td>
<td>NPFF</td>
<td>2007</td>
<td>Y</td>
<td>Entrepreneur</td>
</tr>
<tr>
<td>6</td>
<td>Xinping Foundation</td>
<td>National</td>
<td>NPFF</td>
<td>2008</td>
<td>Y</td>
<td>Entrepreneur</td>
</tr>
<tr>
<td>7</td>
<td>Harmony Community Foundation</td>
<td>Local</td>
<td>NPFF</td>
<td>2008</td>
<td>Y</td>
<td>Community foundation</td>
</tr>
<tr>
<td>8</td>
<td>Shanghai United Foundation</td>
<td>Local</td>
<td>PFF</td>
<td>2009</td>
<td>Y</td>
<td>United fundraising approach</td>
</tr>
<tr>
<td>9</td>
<td>K2 Foundation</td>
<td>National</td>
<td>NPFF</td>
<td>2009</td>
<td>Y</td>
<td>Government-affiliated</td>
</tr>
<tr>
<td>10</td>
<td>China Merchants Charity Foundation</td>
<td>National</td>
<td>PFF</td>
<td>2010</td>
<td>Y</td>
<td>Government-affiliated</td>
</tr>
<tr>
<td>11</td>
<td>China Charities Aid Foundation for Children</td>
<td>Local</td>
<td>NPFF</td>
<td>2010</td>
<td>Y</td>
<td>Entrepreneur</td>
</tr>
<tr>
<td>12</td>
<td>Dunhe Foundation</td>
<td>Local</td>
<td>NPFF</td>
<td>2012</td>
<td>Y</td>
<td>Entrepreneur</td>
</tr>
<tr>
<td>13</td>
<td>He Foundation</td>
<td>Local</td>
<td>NPFF</td>
<td>2013</td>
<td>N</td>
<td>Entrepreneur</td>
</tr>
<tr>
<td>14</td>
<td>Yifang Foundation</td>
<td>Local</td>
<td>NPFF</td>
<td>2013</td>
<td>N</td>
<td>Family foundation</td>
</tr>
<tr>
<td>15</td>
<td>Ginkgo Foundation</td>
<td>Local</td>
<td>NPFF</td>
<td>2015</td>
<td>N</td>
<td>Co-founded by foundations</td>
</tr>
<tr>
<td>16</td>
<td>Shun De Community Foundation</td>
<td>Local</td>
<td>NPFF</td>
<td>2017</td>
<td>N</td>
<td>Family foundation</td>
</tr>
<tr>
<td>17</td>
<td>Woqi Foundation</td>
<td>Local</td>
<td>NPFF</td>
<td>2017</td>
<td>Y</td>
<td>Entrepreneur</td>
</tr>
</tbody>
</table>
of China Charity Donations issued by the China Charity Donation Information Center (Zheng, Peng & Liu 2011). This report indicated that 58.3% of donations from the Chinese public went to the government or government-affiliated agencies and charities or to the Red Cross, while 20.6% went to civil affairs departments at all levels, 9% went to other party agencies and mass organizations (excluding civil affairs departments), and 6.7% went to the Red Cross or Red Cross–linked organizations. Only 1.3% of public donations were given to social associations, civil non-enterprise institutions, and other social welfare-related organizations, of which some were, surprisingly, government-backed SOs. According to Xu (2014), “the total amount of charitable donations in 2010 was 70 billion RMB” (p. 168). Therefore, based on the information available, only 910 million RMB were received by nonprofit organizations without government links. As many donations flowed to the inclusive government-run shelters and nursing homes, charity federations, and to the Red Cross at all levels, far fewer donations were received by independent nonprofit organizations.

Figure 1 shows that there was a change in the flow of donations in 2017. In this year, only 5.72% of donations went to other SOs (excluding foundations and charities), while the percentage of donations received by grassroots SOs without government links was less than 5.72%, as a considerable percentage of these SOs were government-organized nongovernmental organizations. The funding received by grassroots SOs in China clearly does not match the funding need and expectations of these same SOs.

The Initial Stage of Interaction between Foundations and Grassroots SOs and the Appearance of Grant-Making Foundations

Before 2004, there were no interactions between SOs and government-affiliated foundations in China (Lai et al., 2015; Xu, 2010). However, the 2008 Wenchuan earthquake served as a catalyst and inspired Chinese foundations to recognize the role of grassroots
SOs, leading to increased funding for grassroots SOs and marking the beginning of interactions between SOs and foundations.

The Narada Foundation was founded in 2007 and was the earliest domestic grant-making foundation dedicated to providing financial support to grassroots SOs in China. This foundation has played an important role and set the tone for foundations to provide grants to grassroots SOs (Shieh, 2017; Lai, 2017; Woqi Foundation, 2018). The Wenchuan earthquake was “a watershed event for China’s associational atmosphere” (Shieh & Deng, 2011, p. 194). This event led to the widespread participation of volunteers and associations in earthquake relief and created a collaboration between foundations and grassroots SOs. During the NGO Cooperation Forum for the 512 Post-Disaster Reconstruction program in 2009, Yongguang Xu, the Narada Foundation’s president and co-founder, stated, “Only when you live well, can I live better” (Xu 2009), regarding the developmental ecosystem of the public welfare sector. This implies that cooperation between foundations and grassroots SOs is necessary to create a thriving third sector in China.

**How Resource Interdependence Affects Cooperation**

This section explores the kinds of resources foundations need from grassroots SOs, and vice versa; and whether they can help each other achieve organizational goals and how to do so. It also examines whether foundations’ dependence on grassroots SOs is lower than grassroots SOs’ dependence on foundations, which would create asymmetric dependence that in turn leads to inequality between foundations and grassroots SOs.

For this research, our study draws on the arguments of Lai (2017) and Xu (2010) on the contradictory relationships between Chinese foundations and grassroots SOs during the grant-making process and explains what kinds of resources they can provide each other and what they need from each other. Accordingly, two interview questions to foundations were formulated as follows:

1. Do you think cooperation between foundations and grassroots SOs helps to achieve foundations’ goals? In what way?
2. Do you think foundations need resources from grassroots SOs?

All foundations’ representatives said they did not need resources from their grantees. Instead, they hoped that the grantees would implement projects without expectations or scandals, and their principal concern was the grantees’ financial situation. However, it can be stated that foundations need grassroots SOs to raise funds through their activities or through stories that help people identify with them. But these are just icing on the cake, not the key points for survival. A crisis of trust between foundations and grassroots SOs has greatly affected foundations’ decisions when determining which partners to work with. Therefore, foundations need to find the most trusted grassroots SOs. Generally, experts and foundations still instruct and select elite grantees from a dominant position, instead of respecting what grassroots SOs are doing in their own way. However, under
the pressure of funding shortages, grassroots SOs are changing their working methods in a way that is more acceptable to funders.

Based on the different responses of foundations and grassroots SOs on resources, the biggest difference between them is that what foundations focus on is their provision of funding and technical support, capacity building, and so on, whereas, in addition to the funding support, what grassroots SOs require is independence.

CASE STUDIES AND DISCUSSION

A Case Study: Narada Foundation’s Grant-Making Approach

The Narada Foundation was established in 2007 and was the first Chinese grant-making foundation. Its primary goal is the construction of sound philanthropic infrastructures in China. Committed to nurturing civil society, the Narada Foundation provides grants to excellent nonprofit projects and organizations nationwide. It developed four grant-making strategies at different stages: the New Citizen Program (2007), the Ginkgo Fellow Program (2010), the Jingxing Plan (2010), and the China Effective Philanthropy Multiplier (2016).

According to the Narada Foundation, its total expenditure was nearly 230 million RMB between 2007 and 2016. It provided funds for 783 projects conducted by 451 organizations or individuals during that period. More than 60% of the grants it had made were spent in building philanthropic infrastructures and supporting more than 10 influential networks and platforms such as the China Private Foundation Forum in 2008 (which was registered as an independent organization in 2016), the Non-Profit Incubator (NPI) in 2009, the CDR in 2015, and the Effective Philanthropy Multiplier in 2016. These platforms have helped to increase the impact of proven solutions to social problems by focusing on creating a useful cooperation between foundations and grassroots SOs. However, while grant-making is important, it is not sufficient in and of itself. Statistics show that fewer than 40% of the grants (92 million RMB) made by the Narada Foundation were made to grassroots SOs or individuals from 2007 to 2016. The Ginkgo Fellow Program and the Jingxing Plan can be considered two of the most representative grant-making programs created by the Narada Foundation due to their pioneering practices in the Chinese foundation sector. The Ginkgo Fellow Program provides grants that allow individuals to be subsidized for their work, increasing the quality of life for third sector workers and thereby expanding and strengthening the organizations that receive such grants. The Jingxing Plan provides unrestricted grants to leading grassroots SOs.

The Ginkgo Fellow Program has offered up to 100,000 RMB per year in grants to individuals in the third sector for three consecutive years. It has been one of the most influential fellowship programs for people working in the nonprofit sector, including those employed by foundations and grassroots SOs, since 2010. From 2007 to 2016, the

Ginkgo Fellow Program funded 81 people, providing a total of 41.49 million RMB in funding during this period.

The Jingxing Plan is regarded as the most influential program for grassroots SOs in China because of its three-year support plan and the number of unrestricted grants it has awarded. Between 2011 and 2016, the funding from this program totaled 19,650,371.00 RMB in grants to 16 grassroots SOs. These grants were given to improve grantees’ organizational development manuals, team leadership training, fundraising skills, and capability strategies for product development.

The Jingxing Plan has rigorous selection criteria. It selects only the SOs that are presumed to be excellent, often funding the top SOs in the philanthropic sector or platform-based institutions. If a grassroots SO meets these criteria, it will be eligible to enter a partnership with Jingxing and will receive an annual grant of between 300,000 RMB and 500,000 RMB for no less than three years. These grants are flexible and can be applied according to the grantees’ preferences. They can be used to improve business research and development, team building, strategic planning, fundraising, brand communication, construction of financial and management systems, or for administrative costs.

Three examples illustrate how these grants can be applied. First, the funds that the Shanghai Xintu Community Health Promotion Agency received from the Jingxing Plan were used for its leaders’ and fundraising team’s salaries, for team capacity building and fundraising activities, and to support new city-development projects. Second, the funds obtained by the “I You She” organization were mainly used to optimize job allocation, and to fund the research for and development of new projects. Third, the funding received by Natural University, not a true university but a grassroots organization’s name, was used for the salaries of the executive team, for office expenses, for the construction of its website, and for part of the expenditures necessary to hold their annual meeting. These three examples paint a picture of how vital funding from foundations can be for a grassroots SO.

The Jingxing Plan was regarded as a pioneering grant-making program. It was developed in 2011 when the idea of providing grants to grassroots SOs was still an unfamiliar concept in China; the program ended in 2016. Nevertheless, this funding program was the most frequently mentioned in the interviews that we conducted when representatives from grassroots SOs were asked to name one or two sustainable funding programs. It is worth noting that this program greatly enhanced and promoted the development of the organizations it funded. However, the scope of the program was small. As shown in Table 2, only one eligible grantee was selected in 2013, and there were, at most, only four eligible grassroots SOs granted funds by the program in 2012 and 2015. Despite these small numbers of grantees, the Narada Foundation, which developed the program, claims to have had a major influence in the Chinese third sector. The foundation claims to actively guide and promote more foundations to fund grassroots SOs. The Jingxing Plan
is seen as a model for the success of other foundations and might encourage more foundations to provide grants to grassroots SOs.

**The He Foundation: A Case Study Showing How Capital Flows in Grant-Making Foundations**

The He Foundation is a large, private foundation that focuses on grant-making and supporting organizations in the third sector. However, observation of this foundation’s activities shows that it does not view grassroots SOs as eligible for funding. The He Foundation has its own approach to grant-making. For example, it grants funds to both large and small foundations that operate projects by themselves or through indirect grants to grassroots SOs via these granted foundations. Unlike the recipients of the Narada Foundation’s grants, most of the He Foundation’s recipients—such as the Guangdong Charity Federation and the Shunde Charity Federation—are government-affiliated organizations. Furthermore, the operating costs of the He Foundation’s grant-making processes are increased because of this indirect method of providing funding through intermediate organizations or foundations.

Figure 2 illustrates that grassroots SOs are excluded from the He Foundation’s funding scheme. Funds are not transferred to grassroots SOs at any point in the grant-making process. Instead, the grants flow from the hands of large foundations to those of smaller foundations or directly to government-affiliated organizations.

Large foundations have an impact on the amount of grants that are made to smaller foundations. Additionally, corporate-sponsored foundations tend to provide support to large PFFs, celebrity foundations, and university foundations. Thus, it is not surprising that roughly 60% of the grants in China go to a variety of foundations rather than to grassroots SOs. Wang (2018) explains:

### Table 2. Number of Approved Grants and Amounts Granted by Jingxing Plan from 2011 to 2016 by year

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of approved grants to grassroots SOs</th>
<th>Amount awarded by approved grant (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2</td>
<td>1,670,485.50</td>
</tr>
<tr>
<td>2012</td>
<td>4</td>
<td>5,419,700.00</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>1,200,000.00</td>
</tr>
<tr>
<td>2014</td>
<td>3</td>
<td>4,270,000.00</td>
</tr>
<tr>
<td>2015</td>
<td>4</td>
<td>5,419,700.00</td>
</tr>
<tr>
<td>2016</td>
<td>2</td>
<td>1,670,485.50</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>19,650,371.00</td>
</tr>
</tbody>
</table>

Note: Narada Foundation website, http://www.naradafoundation.org (last accessed 28 August 2021); adapted by author.
According to the items of “Donations from Other Foundations” and “large payments to major public welfare projects” in the annual reports, 106 (57%) of the 184 Chinese foundations have received donations. ... This is suggested by rough and conservative statistics. The donations received by foundations with high levels of professionalism are the least due to their few associations with other foundations. The amount of donations received is proportional to the foundation’s activity level. (Wang, 2018, adapted by author)

Observations of the He Foundation led to the conclusion that significantly fewer grants are made to grassroots SOs than to other foundations. Grant-making foundations remain a rarity in China and grassroots SOs continue to struggle to have their financial needs met.

Examples of Collaboration between Foundations and SOs

This section presents a brief discussion of the activities of several leading grant-making foundations in China. We observe how they were established, whether they were government-affiliated, corporation-affiliated, or established without affiliations, as this shapes a foundation’s fundraising and funding strategies. A foundation’s connection with its founder or founding body is an important factor affecting its independence in decision-making, operation, and thus its grant-making strategies.

The Narada Foundation is an entrepreneur-based foundation. This organization cut its link with its corporate founders at the inception to ensure its independence and avoid being reduced to a brand-building corporate social responsibility tool. The Youcheng Foundation, one of the earliest established grant-making foundations, specializes in engaging grant-makers in the grantees’ project implementation and organizational development. This kind of high-engagement approach to grant-making can be considered as a mixed approach, making the Youcheng Foundation a mixed foundation.

A united fundraising approach has been adopted by two recently established grant-making foundations, China Charities Aid Foundation for Children (CCAFC) and
Shanghai United Foundation (SUF). Foundations that take a united approach supply funding to grassroots SOs, which then enables the grassroots SOs to undertake projects. SUF was initiated by a grassroots organization called NPI and is guided by both fundraising practices and grant-making practices. Rich in corporate roots, it develops its market, educates and guides its donors, helps grantees to gain new perspectives on donors, and improves the design and delivery of SO projects. For example, SUF has created a series of brand projects, including the One Egg Program and the Handwashing Project.

Chinese foundations have learned and continue to learn from the grant-making experiences of overseas foundations. For example, the Narada Foundation has taken lessons from the Ashoka Foundation and the Ford Foundation, while the Youcheng Foundation has learned from the Ford Foundation, the SEE foundation from the Rockefeller Brothers Fund, and the Harmony Community Foundation from the Rockefeller Brothers Fund. While deeply affected by overseas foundations’ operating models, these Chinese foundations have their own unique characteristics and do not completely replicate the funding logic of foreign foundations.

Take, for example, the Youcheng Foundation, which uses a high-engagement grant-making approach. In the beginning, the Youcheng Foundation modeled itself after the grant-making Ford Foundation. The process of this foundation’s establishment, however, was affected by the domestic environment and policies at the time of its founding, such as its failure to find suitable partners. The China Foundation for Poverty Alleviation is a government-affiliated foundation, which is also making strategic efforts to transition from an operating model to a quasi-grant-making model. Following these multiple influences, the Youcheng Foundation became a unique high-engagement grant-making foundation.

The Youcheng Foundation first engaged in high-engagement grant-making (can yu shi zi zhu) in 2008. Therefore, in addition to providing funding, the foundation advocated for participation in its grantees’ development and placed importance on building platforms that would influence expansion, capacity building, and other resources. This high-engagement grant-making strategy has influenced other Chinese foundations. This may have both benefits and drawbacks. Foundations may be able to help their grantees during their development. However, 8 out of 12 grassroots SOs representatives complained that too much interference from foundations prevented grant recipients from developing according to their own principles.

CONCLUSIONS

Two factors have prevented grant-making from becoming the main operation carried out by Chinese foundations. First, there is a discrepancy between the views of SOs and grant-making foundations. SOs view grant-making foundations as potential sources of income for projects of their choice, whereas foundations believe that SOs must first improve the infrastructure of their organizations before becoming capable of carrying out projects effectively. Second, uncertainties surrounding the position of grant-making foundations in China and their lack of professionalism could affect their long-term grant-making
strategies. From the perspective of resource interdependence, foundations are an important funding resource for grassroots SOs; however, most Chinese foundations operate their own projects and only a few provide funding to support grassroots SOs. An asymmetrical dependence has manifested in the relationship between foundations and grassroots SOs in China.

The reality is that very few grant-making foundations exist in China and only a few of those provide grants to grassroots SOs. Some grant-making foundations have never included grassroots SOs in their funding schemes. Other grant-making foundations spend only a small percentage of their funding to support grassroots SOs and tend to select influential or excellent grassroots SOs. As a result, grassroots SOs that are underdeveloped or have no connection with these foundations have little hope of gaining access to funding resources. This results in insufficient funding for grassroots SOs in China. Nevertheless, the emergence of grant-making foundations in China has at least partially relieved grassroots SOs' funding shortages. Funding from domestic foundations continues to be regarded as the most important financial resource for SOs.

Many barriers to the development of grassroots SOs in China need to be overcome. The achievement of this will depend on whether the Chinese government will allow foundations and SOs to play increasingly independent roles in society. Truly independent foundations are protected from government influence on the distribution of funds and on its activities. However, more government control over the sector undermines the possibility of SO autonomy. It will also depend on the maturation and evolution of both foundations and SOs to the point where mutual trust and symbiotic relationships will form.

There are three limitations in this study. First, the de facto boundary between government organizations and independent organizations is often hard to determine in China, but also data that distinguish between government-affiliated organizations and non-government-affiliated organizations is difficult to collect. Second, this study focused only on registered grassroots SOs, excluding unregistered grassroots organizations, business-registered social groups, and organizations that were generally seen as NGOs in previous research. Third, due to the lack of data, this study is partly based on observational evidence. Future research could continue to develop strategies to acquire clearer information that better identifies the discrepancies.

Concerning interactions between foundations and grassroots SOs, foundations’ grant-making logic and their relationship with grassroots SOs need to be studied to find out how they interact with each other with significance for both academics and practice.

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