

# **E-PHILANTHROPY AS SOCIAL INNOVATION IN CHINA**

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## **Executive Summary**

1. Philanthropy is growing and becoming increasingly important in Asian societies but it differs from its Western counterpart in terms of late development and cultural underpinnings. China has much in common with other Asian societies when it comes to philanthropy, with corporate philanthropy at the forefront of most charitable activities.
2. Seven key players in the Chinese philanthropy ecosystem are the government, financial institutions, incubators/accelerators/capacity builders, networks, academia/think tanks, overseas non-government organisations and foundations.
3. Within the eco-system of philanthropy in China, e-philanthropy is making waves though it is still only a minor part of the eco-system. The dynamism of e-philanthropy is led by tech giants like Tencent and Alibaba, which leverage on their expertise on internet technology and massive user base to build public donation platforms.
4. Fundraising through e-platforms is one of the most exciting and dynamic ways of social innovation in recent years. It has lowered the barriers to charitable giving, increased the frequency of donation and introduced new ways of doing good. China's e-philanthropy has been propelled by its flourishing and innovative e-commerce.
5. The COVID-19 outbreak in early 2020 demonstrates the importance of corporate philanthropy, the roles it can play and the forms it can take. For the first time, China's big tech companies have taken the lead in emergency responses to ensure connectivity and logistics for 11 million residents in Wuhan, the epidemic's epicentre in China.

6. They also provide platforms and apps for communities, workplaces and schools across the country to manage health information, organise teleconferencing and conduct e-learning to ensure that work, school and life could continue as much as possible despite the lockdown and social distancing measures. Corporate philanthropy has extended far beyond traditional charitable giving.
7. Although the prospects for China's e-philanthropy and social innovation are encouraging, many challenges remain. Politically, the Chinese Communist Party still favours government-affiliated charity organisations over independent ones.
8. Practically, China is still in the stage of "uncoordinated innovation", marred by lagging government policies, inadequate social enterprise development, and a lack of grant-making foundations and their financial support. There remains a large gap between big, tech savvy companies and smaller charities in technology, capacity and know how.

# E-PHILANTHROPY AS SOCIAL INNOVATION IN CHINA

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## The Rise of Asian (and Chinese) Philanthropy

- 1.1 Charities have traditionally come through individual and family efforts in history but have currently developed as a widespread and systematic practice.<sup>1</sup> Despite philanthropy growing and becoming increasingly important in Asian societies, its development does not follow the path of its Western counterparts.
- 1.2 Asian philanthropy is different and little studied for the very fact that until relatively recently, Asia has been poor. When lifting itself out of poverty, Asia naturally focused first on economic development. With the rapid and transformative growth in wealth in the past few years, many people and nations in Asia have moved firmly into the middle rung, and among them, there are high earners with incomes far above the mean. With increasing disposable incomes as economies grow, philanthropy has also risen.
- 1.3 Asia's late development in philanthropy is just one difference. Another difference is the cultural tendency among Asians to give first and foremost to family and clan. Throughout the course of history, Asians have commonly donated to people within their network as well as to organisations that expand their business networks.

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<sup>1</sup> Ruth Shapiro, Manisha Mirchandani and Heesu Jang, *Pragmatic Philanthropy: Asian Charity Explained*, (Singapore: Springer Singapore, 2018), pp. 1-15.

- 1.4 The support for philanthropy is also different in Asia with the diverse legal and regulatory environments. In Asia, the laws that encourage or discourage the giving and receiving of philanthropic donations are in flux to a greater degree than the West. There are two reasons behind this. First is that the Asians are still shaping their views about who is responsible for supporting the social sector and second is the lack of widespread consensus on the value proposition of civil society and the role of private citizens in Asia.
- 1.5 The most prevalent type of charity in Asia is corporate philanthropy, whereby a company supports non-profit organisations (NPOs) in areas agreed upon by the management and provides a simple transfer of funds to the Social Delivery Organisation to carry out a plan approved by the company.<sup>2</sup> Despite some rough economic times in this decade, corporate philanthropy has been on the rise and is continuing to grow.
- 1.6 China has much in common with other Asian societies when it comes to philanthropy. Culturally, much of the giving goes to personal networks and not to the public sphere. People are more accustomed to donating to help someone they know, without considering it as a charitable gift, than to an organisation or to someone they do not know.
- 1.7 This helps to explain the paltry sums donated by ordinary Chinese, which are equivalent to about 0.2% of their country's GDP (gross domestic product) in 2016, whereas Americans donated more than 2%.<sup>3</sup> In 2017, the Charities Aid Foundation, a British NGO (non-governmental organisation) that ranks 140 or so countries every

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<sup>2</sup> Ibid, pp. 137-138.

<sup>3</sup> "Why do people in China give so little to charity", *The Economist*, 6 September 2018, <https://www.economist.com/china/2018/09/06/why-do-people-in-china-give-so-little-to-charity>, accessed 12 March 2020.

year according to the proportion of their people who say they give time, money or assistance to strangers, placed China second from the bottom.<sup>4</sup>

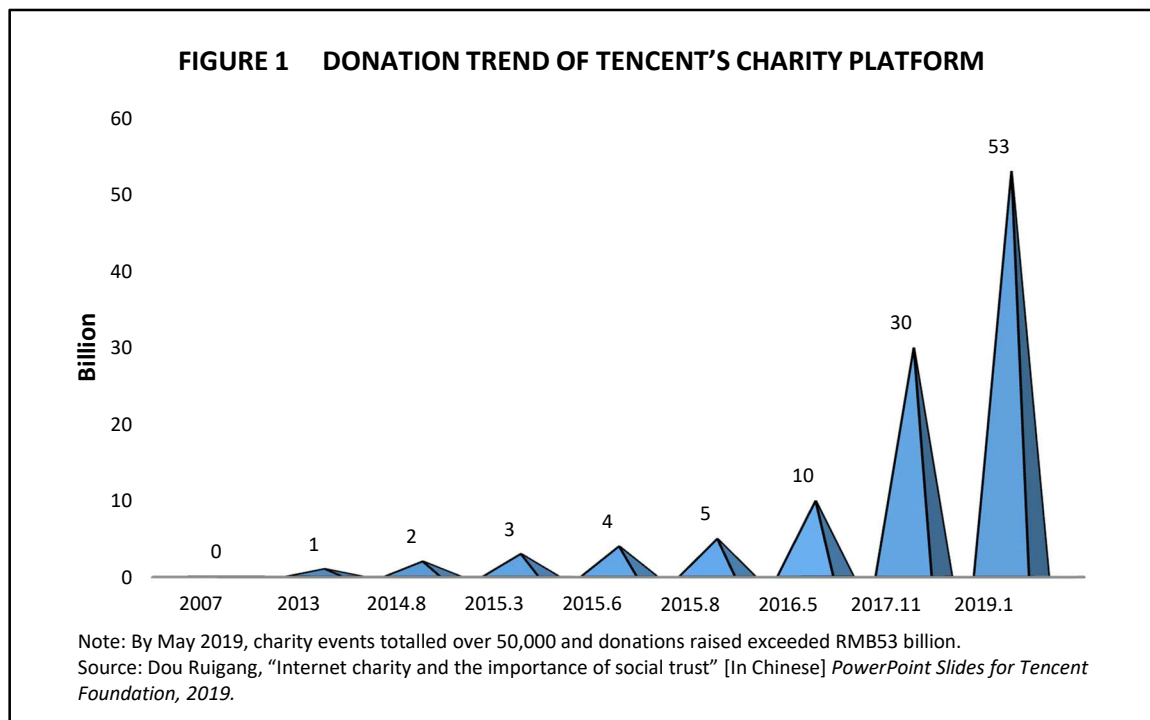
- 1.8 From a comparative perspective, political ambivalence towards charities has been more entrenched in China under the Chinese Communist Party (CCP) than in the West. The CCP has long been uneasy about the charities within Chinese society. Its distrust of non-government charities can be traced back to the CCP under Mao's leadership (1949-1976) when the party did not want charity groups to show up state failings and the people should be educated to view the CCP as the only saviour.
- 1.9 During the 1980s, the CCP finally relaxed its regulations and allowed big state-backed charities to operate. For smaller, independent charity groups, the watershed moment came during the 2008 Wenchuan earthquake in Sichuan when their assistance in relief efforts impressed party officials and ordinary Chinese.
- 1.10 In 2016, the National People's Congress (NPC) enacted the Charity Law, which plays a key role in boosting charities. In the past, philanthropic activities were limited by the requirement that foundations must be set up in cash and have their earnings taxed similarly to for-profit enterprises. The new framework came closer to the one used in the United States. It eased registration procedures and introduced improved tax incentives, as well as expanded the definition of "charitable activities".<sup>5</sup>
- 1.11 Notably, Chinese corporations have capitalised on the growth momentum that China's smaller charities have helped to launch since 2008. Through their economic power and technological prowess, Chinese corporations have enhanced the growth

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<sup>4</sup> Ibid.

<sup>5</sup> "China's Philanthropy Boom", *The Diplomat*, 25 January 2019, <https://thediplomat.com/2019/01/chinas-philanthropy-boom/>, accessed 16 March 2020.

momentum of philanthropy in recent years. A case in point is Tencent: donations through its e-platform have grown exponentially in the past decade (see Figure 1).



- 1.12 Corporate philanthropy is not only rising in China, but also making philanthropy easier and more fun to participate, hence enhancing its appeal to the younger generation. Currently, the mode of donations has come in more interactive and social ways thanks to the development of mobile payments and social networking. With China's two giant companies—Alibaba and Tencent—taking the lead, e-commerce and e-philanthropy are fusing to become a new form of social innovation.
- 1.13 The COVID-19 outbreak in early 2020 shows how important corporate philanthropy can be, the roles it can play and the forms it can take. For the first time, China's big tech companies have moved to the forefront of emergency responses to ensure connectivity and logistics for the 11 million Wuhan residents under lockdown.
- 1.14 They also provide platforms and apps for millions of communities, workplaces and schools across the country to manage health information, organise teleconferencing

and conduct e-learning to allow work, school and life to continue as much as possible despite the lockdown and social distancing measures.<sup>6</sup> The role of corporate philanthropy has extended far beyond traditional charitable giving.

- 1.15 Meanwhile, the channelling of all public incoming donations to government-controlled organisations including the Red Cross Society of China showed the historical distrust of the CCP towards charities.<sup>7</sup> Critiques believe that this is due to the Chinese government's concern for any uncontrollable self-organising within civil society, with the private generosity becoming an embarrassing sign of a rising distrust in government-affiliated charities as well as local government's handling of the public health crisis.<sup>8</sup>

### **China's Philanthropic Eco-system**

- 2.1 There are seven key players in the Chinese philanthropy ecosystem.<sup>9</sup> They are the government, financial institutions, incubators/accelerators/capacity builders, networks, academia/think-tanks, overseas NGOs and foundations.
- 2.2 The central government is one of the key players that creates the environment for philanthropic giving. It issued China Charity Law in 2016 to formalise the charitable sector and supplementary regulations in 2018 to bring more transparency to philanthropic organisations.<sup>10</sup> It also plays an important role in financing the NGOs to address social issues.

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<sup>6</sup> Zhao Litao and Kong Tuan Yuen (2020), "How Wuhan mobilised to survive an over-70 day COVID-19 lockdown - and bounced back", <https://www.channelnewsasia.com/news/commentary/commentary-how-wuhan-mobilised-to-survive-an-over-70-day-covid-12636434>, accessed 11 May 2020.

<sup>7</sup> "People's charity resists government control in China's response to coronavirus", *Nonprofit Quarterly*, 21 February 2020, <https://nonprofitquarterly.org/peoples-charity-resists-government-control-in-chinas-response-to-coronavirus/>, accessed 12 March 2020.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> The State Council, The People's Republic of China. 2018. *Information Disclosure Guidelines for*



- 2.3 Financial institutions have traditionally supported philanthropy through their Corporate Social Responsibility (CSR) programmes and Corporate Foundations.<sup>11</sup> However, financial institutions are now increasingly looking at engaging in social investment and social impact via its core business.<sup>12</sup>
- 2.4 There are approximately 1,400 incubators, accelerators and capacity builders registered in China.<sup>13</sup> The organisational capacity of many social organisations in China is not very developed, thereby giving incubators, accelerators and capacity builders a major role in assisting these organisations to become more professional, more investable and more effective.<sup>14</sup>
- 2.5 As the number of players in the philanthropic sector grows, more networks and alliances have been initiated by the private or public sector to promote the sharing of knowledge and resources as well as to enhance multi-sector collaborations.<sup>15</sup>
- 2.6 More academic institutions and think tanks are becoming actively involved in the philanthropic and social innovation sectors.<sup>16</sup> There are at least 10 academic-based

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*Charitable Organizations.*

<sup>11</sup> Patti Chu and Olivia Wang Yutong, “Philanthropy in China”, *AVPN*, November 2018, <https://avpn.asia/insights/philanthropy-in-china/>, accessed 10 May 2020.

<sup>12</sup> For example, CreditEase, China’s leading wealth management and marketplace lender, has been a pioneer in the sector of inclusive finance and its “YiNongDai” product has enabled direct granting of microloans to farmers in rural areas via their P2P platform.

<sup>13</sup> Public Policy Research Centre, China Social Sciences Academy. 2018. *Report on Social Organizations in China 2018*.

<sup>14</sup> For example, Star of Social Innovation, a social enterprise consultancy in Shenzhen, Beijing Probono Foundation, an intermediary that connects professionals with non-profits for skill-based volunteering opportunities, and Non-Profit Incubator, the first organisation to incubate non-profits and social enterprises in China.

<sup>15</sup> For example, China Charity Alliance provides professional training and international exchange programmes, evaluates non-profit organisations, and participates in policymaking and advocacy. See Patti Chu and Olivia Wang Yutong, “Philanthropy in China”, *AVPN*, November 2018, <https://avpn.asia/insights/philanthropy-in-china/>, accessed 10 May 2020.

<sup>16</sup> *Ibid.*

centres with different strengths and focus areas that are teaching and researching on philanthropy.<sup>17</sup>

2.7 Overseas NGOs have been playing an instrumental role in helping China build its philanthropic ecosystem and supporting some key social issues.<sup>18</sup> Other foreign NPOs have played a key role in bringing technical expertise and thought leadership.<sup>19</sup>

2.8 Lastly, foundations in China are also an important part of the philanthropic ecosystem, legally registered as either public-fundraising (32%) or non-public fundraising foundations (68%), with the key distinction of whether they are operating foundations or purely grant-making foundations.<sup>20</sup> Less than 1% of the 6,322 registered foundations in China are estimated to be grant-making foundations, meaning that most Chinese foundations are operating foundations.

2.9 The Hurun Philanthropy list is one of the most comprehensive databases of top philanthropists in China. According to the 2019 list, total donations reached US\$3.28 billion, which went to foundations, NGOs and educational institutions domestically (see Table 1).<sup>21</sup>

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<sup>17</sup> For example, Peking University has established two research centres: The Centre for Non-profit Organisations Law focuses on teaching and researching on laws and regulations, and playing an instrumental role in drafting the China Charity Law, whereas the Centre for Civil Society Studies has been pioneering research on areas such as social enterprise, impact investment and impact measurement.

<sup>18</sup> Ibid.

<sup>19</sup> For example, The Ford Foundation operating in China since 1988 has strong focus on capacity building and supporting areas that other local organisations are not usually equipped with or interested in doing, such as ecosystem building.

<sup>20</sup> Public Policy Research Centre, China Social Sciences Academy. 2018. *Annual Report on China's Philanthropy Development 2018. Annual Report on China's Philanthropy Development 2018.*

<sup>21</sup> Hurun China Philanthropy List, 21 May 2019, <https://www.hurun.net/EN/Article/Details?num=93E8C4B53DE6>, accessed 10 May 2020.

**TABLE 1 TOP 10 CHINESE PHILANTHROPISTS OF 2019**

|    | <b>Name</b>                   | <b>Donation<br/>\$m</b> | <b>Cause</b>                                                                                           | <b>Company (Industry)</b>                               |
|----|-------------------------------|-------------------------|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| 1  | Lu Weiding and family         | 720                     | Social welfare                                                                                         | Wanxiang<br>(Automobile, real estate and manufacturing) |
| 2  | Chen Yidan                    | 500                     | Education                                                                                              | Tencent<br>(IT, investment and entertainment)           |
| 3  | Xu Jiayin                     | 230                     | Poverty alleviation and education                                                                      | Evergrande<br>(Real estate)                             |
| 4  | Yang Guoqiang and Yang Huiyan | 140                     | Education, poverty alleviation, medical aid, public infrastructure, disaster relief and social welfare | Country Garden<br>(Real estate)                         |
| 5  | Xu Yingqiu                    | 88                      | Public infrastructure and poverty alleviation                                                          | Kaiyuan<br>(Real estate)                                |
| 6  | Gong Junlong                  | 73                      | Public infrastructure, poverty alleviation and education                                               | Hengyu<br>(Real estate and investment)                  |
| 6  | Chen Fashu                    | 73                      | Medical aid and education                                                                              | Xinhuadu<br>(Retail and investment)                     |
| 8  | Lu Zhiqiang                   | 62                      | Poverty alleviation and education                                                                      | Oceanwide<br>(Real Estate and investment)               |
| 9  | Wu Yuanxi and Wu Yuangang     | 51                      | Education                                                                                              | Hanking<br>(Real estate)                                |
| 10 | Huang Rulun and Huang Tao     | 47                      | Poverty alleviation, education and social welfare                                                      | Century Golden Resources<br>(Real estate)               |

Source: Hurun China Philanthropy List 2019, <https://www.hurun.net/EN/Article/Details?num=93E8C4B53DE6>, accessed 10 May 2020.

2.10 Lu Weiding, 48, of Hangzhou-based Wanxiang becomes China's most generous philanthropist with US\$720m donation to a charitable trust to commemorate his father Lu Guanqiu. Chen Yidan of Tencent was second with a US\$500m gift, mainly made up of Tencent shares. Xu Jiayin, who owns property development group Evergrande was third with a US\$230m gift. Xu donated US\$90m as an individual to his hometown Zhoukou in Henan and US\$70m during the Guangdong Poverty Alleviation Day in the name of the group. During the past year, Evergrande has continued to donate hundreds of millions of dollars.

2.11 Education is still the most popular cause in 2019, accounting for 35% of total donations, albeit at six percentage points lower than that in 2018.<sup>22</sup> Campus construction, endowment, or establishment of various kinds of student aid funds, teachers and students' bonuses and helping students in need are all part of the education cause. Additionally, most of the donors prefer to donate to their alma mater. Poverty alleviation has also been an important cause of donation with its year by year rise in the last five years (see Table 2).

**TABLE 2 DONATION CAUSES IN CHINA OVER THE LAST 5 YEARS**

| Cause                      | 2019 | 2018 | 2017 | 2016 | 2015 |
|----------------------------|------|------|------|------|------|
| <b>Education</b>           | 35%  | 41%  | 44%  | 47%  | 44%  |
| <b>Social welfare*</b>     | 16%  | 18%  | 20%  | 20%  | 26%  |
| <b>Poverty alleviation</b> | 29%  | 18%  | 17%  | 11%  | 9%   |
| <b>Disaster relief</b>     | 1%   | 4%   | 3%   | 3%   | 5%   |
| <b>Other</b>               | 19%  | 19%  | 16%  | 19%  | 16%  |

\*Social welfare includes charitable foundation and so on.

Source: Hurun China Philanthropy List 2019, 21 May 2019, <https://www.hurun.net/EN/Article/Details?num=93E8C4B53DE6>, accessed 10 May 2020.

2.12 Most of these philanthropists set up their funding through four channels: (i) establishing their own foundations; (ii) setting up charitable funds; (iii) creating special funds under other larger social organisations or more recently setting up donor advised funds (DAFs); and (iv) directly supporting other social organisations.

2.13 Charitable Trusts were introduced in 1996, and as of September 2018, only 105 charitable trusts were registered at a total value of US\$239 billion.<sup>23</sup> The main reason for the slow growth of Charitable Trusts is the lack of tax policies to encourage and support the movement.

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<sup>22</sup> Ibid.

<sup>23</sup> Patti Chu and Olivia Wang Yutong, "Philanthropy in China", AVPN, November 2018, <https://avpn.asia/insights/philanthropy-in-china/>, accessed 10 May 2020.

- 2.14 Special Funds have been in place in China since 1999. Traditionally, many philanthropists, celebrities and corporate donors have chosen to set up special funds under government-owned or well-recognised foundations. DAFs were first introduced in China in 2017 by Social Venture Group, a philanthropic advisory firm that supports effective giving in China. Development of DAFs in China depends on the tax reforms and incentives that the Chinese government has put in place.
- 2.15 Although prominent individuals in China do donate eye-watering amounts (as seen in Table 1), it is widely acknowledged that corporate foundations dominate philanthropic giving in China. In 2016, donations from corporates and corporate foundations reached US\$14.2 billion, contributing more than 65% of the total giving of the philanthropic sector. The top locations of corporate foundations were Beijing, Guangzhou and Shanghai, a direct reflection of where most of the larger Chinese companies are located.
- 2.16 Of the corporate donations, about 50% came from private enterprises due possibly to increasing public pressure on the role of businesses, which in turn has resulted in companies having larger budgets for corporate social responsibility and to tax incentives available to corporates for charitable giving. The current corporate tax rate is 25% and the deduction for donations to approved charitable organisations can be up to 12% of annual profit, a sizeable amount.

### **The Growing Need for Social Innovation**

- 3.1 China's economic reform and development in the past three decades have brought challenges, such as a widening social divide and environmental degradation. Many social organisations including charitable organisations have proven to be an important source of innovation—even a force for change—and on the path to building a greener and more inclusive society. Social innovation has become a critical tool in China's efforts to tackle social problems and meet the needs of its most vulnerable citizens.

- 3.2 There is currently an ecosystem to support social innovation. Governments, corporations and society alike are looking to social innovation to address China's challenges.<sup>24</sup> The government is one of the key players in promoting social innovation. At the national level, the central government aims to build an innovation-oriented country, prompting efforts to modernise its capacity for supporting innovation.
- 3.3 Provincial and municipal-level governments are also leading experiments to outsource social services to NPOs and businesses. Additionally, there has been a growing number of incubators created by local governments for NPOs and social enterprises nationwide. These incubators typically provide support such as rent subsidies, seed funding, and registration assistance for startups in NPOs and social enterprises.
- 3.4 Corporations are also a key player in this ecosystem, particularly with companies seeking to create commercial models for sustainability and shared value strategies and products.<sup>25</sup> There is a strong movement by Chinese companies to implement CSR policies and to integrate them into their operations. Venture philanthropy, for example, has been incorporated into the CSR development plans of many large Chinese businesses.
- 3.5 A growing number of business leaders in China have also started to explore ways to apply their business management experience and cross-sector networks and assets to social businesses.<sup>26</sup> By establishing or investing in private foundations and impact investment funds, these business leaders actively seek solutions to some of the pressing social issues in China, such as food safety, clean water and air, eldercare and education.

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<sup>24</sup> Lai Zuofu and Zhou Hongyun, "Making Strides in Social Innovation", *Social Innovation and Social Transition in East Asia*, Spring 2017, pp. 7-9

<sup>25</sup> Ibid, pp. 7-9.

<sup>26</sup> Ibid, pp. 7-9.

- 3.6 Lastly, social organisations have also been a key part of the social innovation drive. Most social organisations have their own initiatives rather than fund grass-roots activities, which would have a wider impact on society. Nevertheless, there are foundations such as the Narada Foundation that provide grants or invest in nonprofits and social enterprises. They play a role in identifying and supporting nonprofits and social enterprises.<sup>27</sup>
- 3.7 Over the last 10 years, a growing number of Chinese universities have developed courses or established corresponding institutions that focus on the topic of social innovation. In addition to research and advocacy on broad issues related to philanthropy, social innovation and social investment, many research centres and institutes run capacity-building programmes for business leaders and NPOs.

### **The Up and Coming Wave of E-philanthropy**

- 4.1 E-philanthropy is growing very quickly though it is still currently only a minor part of China's philanthropic eco-system. There are currently 20 central government-approved e-platforms for donations on the internet as of 2018 (see Table 3). The dynamism of e-philanthropy is led by tech giants like Tencent and Alibaba, which leverage on its expertise on internet technology and massive user base to build public donation platforms.
- 4.2 With payment platforms like Tencent's Wechat Pay and Alibaba's Alipay, the days of volunteers standing on the streets with donation boxes will soon be over in China and replaced by smartphones with apps channelling funds to charities.
- 4.3 The ease of apps use for charitable causes has coincided with growing public awareness in China of the need to donate to charities, resulting in a large surge in

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<sup>27</sup> Ibid, pp. 7-9.

contributions to charitable institutions from people who might not have seen themselves as philanthropists.

**TABLE 3 LIST OF E-CHARITY PLATFORMS IN CHINA**

| S/N | Name of the Online Platform                                          | Name of the Organisation                                                                                                                                                        |
|-----|----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | Tencent Public Welfare                                               | Tencent Charity Foundation                                                                                                                                                      |
| 2   | Taobao Public Welfare                                                | Zhejiang Taobao Network Co. Ltd                                                                                                                                                 |
| 3   | Ant Financial Service Public Welfare                                 | Zhejiang Ant Financial Service Group Co. Ltd                                                                                                                                    |
| 4   | Sina Public Welfare                                                  | Beijing Weimeng Chuanke Network Technology Co. Ltd                                                                                                                              |
| 5   | Jingdong Public Welfare                                              | Wangyin Online (Beijing) Technology Co. Ltd                                                                                                                                     |
| 6   | Baidu Public Welfare                                                 | Baidu Online Network Technology (Beijing) Co. Ltd                                                                                                                               |
| 7   | Gongyibao                                                            | Beijing Hopu Juyi Technology Co. Ltd                                                                                                                                            |
| 8   | Xinhua Public Welfare                                                | Xinhuanet Co. Ltd                                                                                                                                                               |
| 9   | Qinsong Public Welfare                                               | Beijing Qingsongchou Network Technology Co. Ltd                                                                                                                                 |
| 10  | Lianquan Net                                                         | Shanghai Lianquan Charity Foundation                                                                                                                                            |
| 11  | United for Charity                                                   | Guangzhou Foundation of Public Welfare Charities                                                                                                                                |
| 12  | Meituan Public Welfare                                               | Beijing Sankuaiyun Co. Ltd                                                                                                                                                      |
| 13  | Didi Public Welfare                                                  | Beijing Xiaoju Technology Co. Ltd                                                                                                                                               |
| 14  | Shanyuan Foundation                                                  | Beijing Shanyuan Charity Foundation<br>(Initiated and established by Bank of China)                                                                                             |
| 15  | Rong-e Purchase Public Welfare                                       | Industrial and Commercial Bank of China                                                                                                                                         |
| 16  | Shuidi Public Welfare                                                | Beijing Shuidi Hubao Technology Co. Ltd                                                                                                                                         |
| 17  | Suning Public Welfare                                                | Jiangsu Suning E-commerce Co Ltd                                                                                                                                                |
| 18  | Bangbang Public Welfare                                              | China Siyuan Foundation for Poverty Alleviation                                                                                                                                 |
| 19  | Yeepay Public Welfare                                                | Yeepay Co Ltd                                                                                                                                                                   |
| 20  | Social Participation in Poverty Alleviation and Development of China | Social Participation in Poverty Alleviation and Development Technology Co. Ltd<br>(Guidance from The State Council Leading Group Office of Poverty Alleviation and Development) |

Source: Ministry of Civil Affairs' announcement on the publication of the list of charity organisations' internet public fundraising information platforms, Ministry of Civil Affairs Announcement number 434, 1 June 2018, <http://www.mca.gov.cn/article/xw/tzgg/201806/20180600009425.shtml>, accessed 10 May 2020.

- 4.4 The 1.6 billion mobile phone subscriptions in China imply that most subscribers could either use WeChat Pay or Alipay in their daily transactions. With charitable donations now easily executed with a click on these payment platforms, the huge rise in charitable giving is inevitable.



- 4.5 The convenience of e-payment breaks the traditional thinking that only the wealthy can afford to be charitable. These donation apps linked to charities call for donations to different social circles with as little as one yuan online.
- 4.6 The combination of the internet and charities in electronic platforms allows charities to reach out to different social communities. It is also easier for the public to develop trust towards charities than to conventional forms of charities.<sup>28</sup>
- 4.7 The Amity Foundation is one of the country's biggest charities, receiving a record of RMB235 million (S\$47 million) in public donations in 2017, about 55% of which came via e-commerce platforms.<sup>29</sup> At Jiang's Foundation, donations via e-commerce platforms had grown from RMB6.5 million in 2012 to RMB174 million in 2016.<sup>30</sup> Over the last few years, the rise in digital philanthropy has also driven up charitable giving.
- 4.8 Tencent Foundation reported in 2018 that Chinese internet users made over 28 million donations to 5,498 charity projects through the Tencent charity platform over three days, from 7 to 9 September, doubling the number a year ago.<sup>31</sup> The overall sum collected from the donations amounted to RMB830 million (S\$166 million).

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<sup>28</sup> Lu Weijing, "How has the internet platform changed charity industries?" [In Chinese], 22 October 2019, <https://mp.weixin.qq.com/s/-oxdIKsTgQd7bBU9cqyirw>, accessed 16 March 2020.

<sup>29</sup> "China's Charity apps – the gift that may not keep on giving", *SCMP*, 7 October 2017, <https://www.scmp.com/news/china/society/article/2114320/chinas-charity-apps-gift-may-not-keep-giving>, accessed 16 March 2020.

<sup>30</sup> Ibid.

<sup>31</sup> "Tencent charity day raises 830 million yuan among internet users", *China Daily*, 10 September 2018, <http://africa.chinadaily.com.cn/a/201809/10/WS5b965f86a31033b4f46553e7.html>, accessed 16 March 2020.

## **Fundraising through E-platforms as Social Innovation**

- 5.1 Fundraising through e-platforms is one of the most exciting and dynamic ways of social innovation in recent years. Tech giants Tencent and Alibaba have been at the forefront in promoting charitable causes among the Chinese public. Tencent has set 9 September as the annual charity day since 2015 to call on more Chinese people to take part in the cause of public welfare.
- 5.2 Tencent Charity has found success in adapting traditional philanthropic approaches in the smartphone era. Traditional “charity boxes” in stores or airports have a counterpart in easy-to-use online payment platforms that allow donations of less than \$1 by using Tencent’s popular e-payment system; users can pick from more than 24,000 of regularly updated individual causes in China and around the world and later receive text updates about how recipients have progressed.<sup>32</sup>
- 5.3 Tencent has a plan to promote monthly giving based on the user’s area of concern.<sup>33</sup> In its words, “If you are concerned about the environment, you can help with the environment. If you are concerned about children’s education, you can help with children’s education”.
- 5.4 Tencent has also given old-style “charity runs” a new counterpart—step donation. “Steps walked” on a mobile device can be matched with charitable contributors by businesses. WeChat users can also “donate their voice” by reading stories for audio books meant for the blind.
- 5.5 Tencent’s charity arm has also been innovative with the introduction of micro-donations. For example, a type of donation allows the user to scan a red QR code at

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<sup>32</sup> “How China’s Social Media Giant Tencent is shaking up traditional philanthropy”, Forbes, 22 May 2017, <https://www.forbes.com/sites/russellflannery/2017/05/22/how-chinas-social-media-giant-tencent-is-shaking-up-traditional-philanthropy/#74038297e6c0>, accessed 16 March 2020.

<sup>33</sup> Ibid.

the bottom right of the mobile phone screen which then takes the user to a web app that can be accessed via the mobile browser. Once inside the user could listen to a little tune and shown paintings by young artists with mental disabilities and spectrum disorders such as autism. Every item in the virtual picture gallery comes with a short artist bio and a buy button. Tap that, input a donation amount of a minimum one yuan, or about S\$0.20, authorise a withdrawal from the user's WeChat Pay, and the user will become the proud owner of a jpg commemorating his/her patronage, tailor-made for sharing immediately to his/her (WeChat) network.<sup>34</sup>

5.6 Alipay has also utilised digital technology to promote charitable deeds within Chinese society. In August 2016, the Chinese company used its digital technology to promote climate action.<sup>35</sup> The Alipay Ant Forest project, launched on the company's mobile app, rewards users with "green energy points" each time they take a step to reduce their emissions, such as by biking to work, going paperless and buying sustainable products. These green energy points grow into a virtual tree on the user's app, which Alipay matches by planting a real tree or protecting a conservation area, in partnership with local NGOs.

5.7 Since its launch, Alipay Ant Forest has attracted over 500 million users, planted 100 million trees in northwest China covering a total area of 112,000 hectares and protecting a total area of 12,000 hectares of conserved land. Alipay Ant Forest has also helped create around 400,000 job opportunities and RMB60 million (US\$8.4 million) in income by working with farmers to plant trees, develop organic agricultural products and connect them with e-commerce platforms.

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<sup>34</sup> "Tencent's charity arm is innovating with micro-donations", *Technode*, 29 August 2017, <https://technode.com/2017/08/29/tencent-gongyi-charity-arm-is-innovating-micro-dontations/>, accessed 16 March 2020.

<sup>35</sup> "Alipay Ant Forest: Using Digital Technologies to scale up climate action", <https://unfccc.int/climate-action/momentum-for-change/planetary-health/alipay-ant-forest>, accessed 16 March 2020.

- 5.8 Non-profit groups like Shuidi-Chou (Water Drop Fundraising), an online fundraising platform which publishes verified health-related fundraising projects, has also utilised digital technologies in the promotion of charitable deeds. Water Drop Fundraising is more transparent to some donors as it displays a fundraiser's ID information and hospital documents. Since its establishment in 2016, Shuidi Chou has helped over 550,000 families and raised over RMB6.2 billion (S\$1.24 billion).<sup>36</sup>
- 5.9 Water Drop Mutual members contribute monetarily to a mutual aid group, organised by criteria such as age group or type of illness.<sup>37</sup> When a group member falls ill, Water Drop deducts a regular amount from members' accounts and pools it into a single reimbursement against verified treatment costs.

### **COVID-19 and E-philanthropy**

- 6.1 During the COVID-19 outbreak, there has been an outpour of charitable donations nationwide to the badly affected areas. The Ministry of Civil Affairs announced that as of 24 April 2020, charitable organisations at all levels across the country, including the government-affiliated Red Cross, received donations of about RMB419.94 billion and about 10.94 billion donated items. A total of 42 million times of online donations has also been recorded.<sup>38</sup>
- 6.2 At the epicentre of the virus in Wuhan, there was a shortage of face masks and medical supplies, especially at the hospital frontlines. E-commerce companies took

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<sup>36</sup> "How one company is leading the digitization of China's charity sector", *Technode*, 17 September 2018, <https://technode.com/2018/09/17/lingxi-digitalization-charity/>, accessed 16 March 2020.

<sup>37</sup> "Under 30 alumni: Startup creating a medical safety net for millions in China", *Forbes*, 23 October 2019, <https://www.forbes.com/sites/russellflannery/2017/05/22/how-chinas-social-media-giant-tencent-is-shaking-up-traditional-philanthropy/#74038297e6c0>, accessed 16 March 2020.

<sup>38</sup> "Regular Press Conference of the Ministry of Civil Affairs in the Spring period", 24 April 2020, <http://www.scio.gov.cn/xwfbh/gbwxfbh/xwfbh/mzb/Document/1678545/1678545.htm>, accessed 13 May 2020.

it upon themselves to resolve the situation through their digital platforms. JD logistics was the first to respond to the call for help. It immediately opened a priority lane for medical supplies to be delivered to Wuhan, donating one million face masks and 60,000 pieces of medical supplies.<sup>39</sup>

- 6.3 Alibaba International and Tencent also tapped on their e-platforms to purchase face masks, protection goggles and suits for medical personnel from many different countries around the world and delivering it to Wuhan within a short time. Alibaba purchased 6.5 million medical supplies and Tencent provided 3.35 million face masks, 120,000 protective suits, 22,500 adult diapers, and a large number of hand masks, protective goggles, disinfectants, respiratory ventilators, ear thermometers, alcohol and test kits.<sup>40</sup>
- 6.4 There was also a lack of food for medical personnel in the hospitals. On 31 January, four hospitals in Wuhan called for help as their canteens lacked the necessary food items to keep the medical personnel going on their grueling work to combat the virus. Pinduoduo, an e-commerce platform, responded to the call for help by the hospitals. In two days, Pinduoduo sourced vegetables and fruits from around the country, and delivered 100 tons of vegetables to the canteens of the four hospitals, which included white cabbages, broccoli, potatoes, green peppers and 20,000 apples, enough to last the 5,000 medical personnel from the four hospitals for a month.<sup>41</sup>
- 6.5 E-commerce companies also aided vegetable and fruit farmers after the outbreak of COVID-19. Many farmers had nowhere to sell their produce to after the outbreak and e-commerce and logistic companies stepped in to fill the gap. Tianmao, Taobao Ju Hua Suan, Hema, Ele.me and Cainiao cooperated in a project to “aid the farmers”,

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<sup>39</sup> “What did the wealthy in China do during the COVID-19 outbreak” [In Chinese], *The Paper*, 16 March 2020, [https://www.thepaper.cn/newsDetail\\_forward\\_6546729](https://www.thepaper.cn/newsDetail_forward_6546729), accessed 16 March 2020.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

which bought much of their produce and delivered it to the cities.<sup>42</sup> People in the cities in the lockdown had no way to buy produce from farmers in the rural areas.

### **Challenges in Social Innovation and E-philanthropy**

- 7.1 Although the outlook for China's social innovation seems encouraging, many practical challenges remain. China is still in the stage of "uncoordinated innovation", marred by lagging government policies, inadequate social enterprise development, absence of grant-making foundations and their financial support, and so on.<sup>43</sup>
- 7.2 Thus, social innovation in China is still limited. If China hopes to realise its vision of a collaborative and healthy social landscape, the ecosystem that supports social innovation—the government, business and social sectors—needs to be improved.<sup>44</sup>
- 7.3 E-philanthropy also faces a number of challenges. The first challenge of the rapid development of e-philanthropy is the uneven development pattern of the charity industry. There is already a large gap between big, tech-savvy players like Alibaba and Tencent, and smaller charities in terms of technology sophistication and know how.
- 7.4 Tech giants tapped on the country's rich digital ecosystem with hundreds of millions of users to create new ways to donate to charity.<sup>45</sup> The shift to support tech-savvy charities led to some small organisations with limited digital resources to fall behind,

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<sup>42</sup> Ibid.

<sup>43</sup> Lai Zuofu and Zhou Hongyun, "Making Strides in Social Innovation", *Social Innovation and Social Transition in East Asia*, Spring 2017, pp. 7-9.

<sup>44</sup> Ibid, pp. 7-9.

<sup>45</sup> "China's new model of Blockchain-driven Philanthropy", PND By Candid, 27 June 2019, <https://philanthropynewsdigest.org/columns/ssir-pnd/china-s-new-model-of-blockchain-driven-philanthropy>, accessed 13 May 2020.

which could eventually lead to their removal from the philanthropy industry, resulting in thousands of dollars in lost donations.<sup>46</sup>

- 7.5 The recent Charitable Giving survey uncovered that millennials across the globe are more likely to donate to charities that offer digital payments and to trust charities with a strong digital presence, which explains the recent rise of e-philanthropy in China.<sup>47</sup>
- 7.6 The second is the dependence on online donors for more than half of the charities' funding. Some experts caution that online donors' motivation, donation amount and commitment are all very volatile.<sup>48</sup>
- 7.7 The third is the over-reliance on e-commerce companies, limiting access to valuable donor information, specifically if these charities partner with tech companies in their fundraising drive.<sup>49</sup> The charities that rely on e-charity donations have a smaller databank of their donors as compared to those which use traditional methods because donors who paid through e-commerce platforms are registered with the e-commerce companies but not them.
- 7.8 As philanthropy involves a human touch at the core, relying completely on buttons on the screen will mean that the essence of charity work is lost. The information of donors is thus very precious to these charities because they need it to assess and understand how to improve their work and remain in connection with their donors.

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<sup>46</sup> "Millennials more likely to support smaller, tech-savvy charities than those without a strong digital presence", CISION, 12 October 2016, <https://www.newswire.ca/news-releases/millennials-more-likely-to-support-smaller-tech-savvy-charities-than-those-without-a-strong-digital-presence-596772741.html>, accessed 13 May 2020.

<sup>47</sup> Ibid.

<sup>48</sup> "China's Charity apps – the gift that may not keep on giving", *SCMP*, 7 October 2017, <https://www.scmp.com/news/china/society/article/2114320/chinas-charity-apps-gift-may-not-keep-giving>, accessed 16 March 2020

<sup>49</sup> Ibid.