

Chinese NGOs Coping with Funding Issue: A Case Study of Sany Foundation in Beijing and Xiaoyun Poverty Alleviation Center in Yunnan

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Abstract

Funding is a critical element for the survival and development of NGOs. Why are Chinese NGOs facing self-sustaining issue? How can they come out of the woods? This research reviews several papers regarding the funding issue faced by Chinese NGOs and summarizes reasons and solutions of the issue that have been proposed. By scrutinizing two specific NGOs that are originated from and operate in the mainland of China, the research also proposes four possible measures that Chinese NGOs can take to deal with the funding problem that they may encounter—standardizing the internal governance structure of NGO; recruiting or collaborating with talents with high professionalism and global vision; attracting wide publicity for both the organization itself and its projects; raising capacity for maintaining and increasing the value of assets, as well as the competence of controlling risks.

Keywords: NGO, funding issue, self-sustainable development, mitigations for funding issue of NGOs

1. Introduction

Non-governmental organizations (NGOs) are non-profit groups independent of government control. NGOs play a crucial role in addressing various social, economic, and environmental issues. Due to its high reliance on fund being provided by other entities, such as companies, foundations, international organizations, and government agencies, NGOs often lack enough fund to support the programs that they initiate.

This paper aims to scrutinize the sustainable operation issue, specifically, funding problem that Chinese NGOs face and to suggest some of the possible solutions. Through literature review

and case studies of two specific Chinese NGOs, Sany Foundation in Beijing and Xiaoyun Poverty Alleviation Center in Yunnan, this research examines how the two organizations have addressed their financial sustainability issue. Furthermore, this study proposes potential strategies that other Chinese NGOs can adopt to overcome similar challenges.

2. Background

2.1 Terminologie and Definition

Non-government organization, NGO in short, is defined by the United Nations (U.N.) Department of Public Information (DPI) as “any non-profit, voluntary citizens’ group which is

organized on a local, national or international level”. Academically, Lester M. Salamon, professor at Johns Hopkins University defines NGOs as entities that possess five features: organizations, private, not profit distribution, self-governing, and voluntary. In China, NGOs are usually being called as social organizations. The Ministry of Civil Affairs of the People’s Republic of China divides social organization into three types—social groups, foundations, and private non-enterprise units.

Non-profit organizations (NPOs) are a sort of NGO. To be more specific, NGOs can be divided into different groups depending on their nature, and NPOs are one of them. Compared to NGO, NPO operates at a relatively limited level and is established with nonprofit objectives—that is, NPO utilizes the extra funds for the organization in their programs instead of dividing it between the shareholders and the owners of the organization. Moreover, grassroots NGOs are NGOs that emerge spontaneously from the grassroots of society and practice genuine

self-government.

2.2 The Rise of NGOs in China

According to *Statistical Bulletin on Social Services Development 2017* and *2023 Statistical Communiqué on the Development of Civil Affairs* that are published on the official website of the Ministry of Civil Affairs of the People’s Republic of China’s official website, at the end of 2023, the total amount of social organizations (NGOs) in China is 882,000, in which 11.523 million people were employed. From 2010 to 2023, the amount of foundations continued to grow—increased from 2200 in 2010 to 9617 in 2023; the amount of social groups had an increasing trend in general—changed from 245,000 in 2010 to 375,000 in 2020, and in the following years, the amount stabilizes; the amount of private non-enterprise units had been increasing from 2010 to 2021—increased from 198,000 to 522,000, and there had been a noticeable decline between 2021 and 2023—diminished from 522,000 to 499,000.

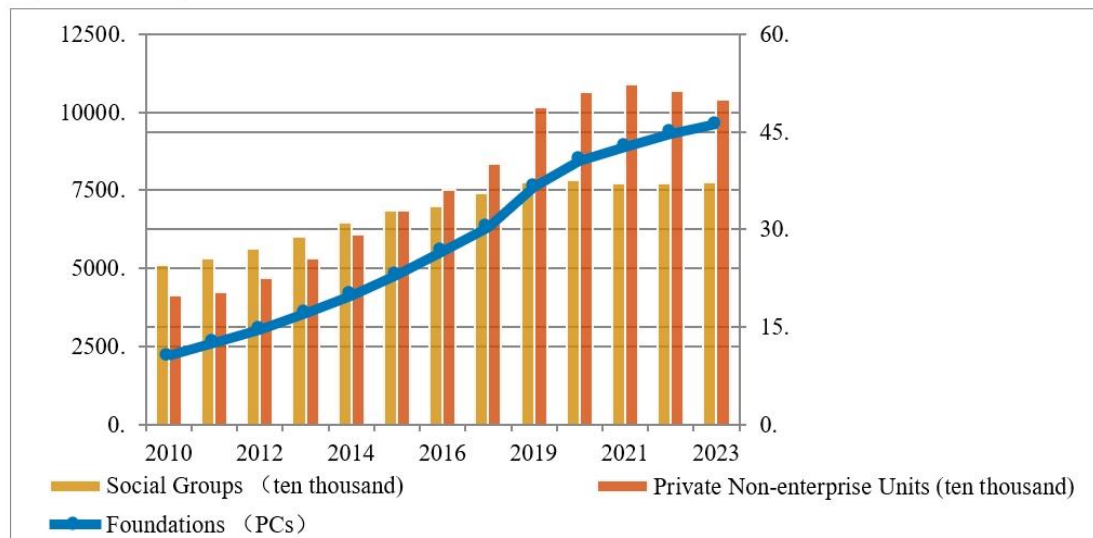


Figure 1. Numbers of Social Groups, Private Non-enterprise Units, and Foundations in China in 2010-2017, 2019-2023

2.3 Poverty Alleviation vs. Rural Revitalization

After China announced its accomplishment of “eliminating absolute poverty” in 2021, poverty alleviation has taken steps to phase out in China’s policy agenda and public rhetoric, and the current policies emphasize more on rural revitalization. Rural revitalization aims at the long-term sustainable development of rural areas, which is actually a continuation of poverty alleviation. Consequently, rural

revitalization projects are also considered poverty alleviation in a broad sense.

3. Literature Review

Several papers across the social sciences have discussed funding issues of NGOs, including Chinese NGOs, and there are several key obstacles being identified.

The first obstacle is a lack of government fund (Wu, 2007; Han & Li, 2010; Luo, 2017; Fu, 2018).

Specifically, Wu (2007) mentioned that Chinese government departments seldom provide funding to non-profit organizations or delegate service provision to them. Han and Li (2010) said that the Chinese government's understanding of the functions and roles of non-profit social organizations requires further enhancement, and both of its financial investment and support measures are markedly insufficient. Luo (2017) mentioned that due to the late inception and low level of development of Chinese non-profit organizations, the government's understanding of them remains largely theoretical, with significant gaps in translating it into concrete actions.

The second one is an insufficient social and private donations (Wu, 2007; Han & Li, 2010; Luo, 2017). Specifically, Wu (2007) remarked that with regard to direct donations, organized contributions or corporate donations are currently more prevalent in our country, while the proportion of individual donations remains relatively low. Furthermore, the share of personal contributions in terms of labor or time is even smaller. Han and Li (2010) commented that because of the current global financial crisis and a low social credibility that non-profit organizations face due to limited outreach and education, there is a relatively weak public awareness of donation practices. Luo (2017) mentioned that, currently, the spirit of volunteerism in China is lacking, and the culture of philanthropy remains weak, preventing the formation of a substantial social force. Consequently, both individual and corporate donations are limited and unevenly distributed.

The third factor is a lack of diversity in the ways and channels of financing (Deng & Zong, 2008; Han & Li, 2010; Wang, 2012; Zhu & Liu, 2014). Deng and Zong (2008) noted that "The first reason for the funding shortages faced by grassroots NGOs is the reliance on a limited range of funding sources." According to a survey conducted by the NPO Research Institute of Tsinghua University, over 50% of the funding income for the surveyed non-profit organizations comes from government financial allocations and subsidies (Han & Li, 2010). This excessive reliance on a singular government funding channel undermines the competitive mechanisms necessary for enhancing efficiency within non-profit organizations. Wang (2012) commented that "Many non-profit organizations possess outdated fundraising

concepts, rely on a limited array of fundraising methods, and lack the necessary fundraising skills, resulting in suboptimal fundraising performance."

The fourth reason is a lack of NGOs' self-competence (Deng & Zong, 2008; Zhou & Jiang, 2008; Fu, 2018). Deng and Zong (2008) said that due to the strong dependency and subordination of NGOs to the government in China, their capacity for independent survival is relatively weak. Zhou and Jiang (2008) noted that NGO organizations in China are relatively weak, with underdeveloped organizational networks, unscientific structures, and management practices. Their internal capacity and fundamental abilities are limited.

The last main obstacle is a low social recognition (Zhou & Jiang, 2008; Wang, 2012; Fu, 2018). Zhou and Jiang (2008) noted that the weak reputation and limited public awareness of Chinese NGOs hinders them from engaging with the public, influencing communities, promoting themselves, expanding their organizations, and carrying out activities.

There are also other reasons, such as a lack of public awareness in charity (Wu, 2007) and a relatively low level of economic development in China (Liang & Han, 2009).

To address the above issues, different solutions have been proposed. The first one is to promote the improvement of laws and regulations by strengthening policy lobbying, mentioned by Zhou and Jiang (2008), Liang and Han (2009), and Fu (2018). The second one is to increase government fund for NGOs, being mentioned by Wu (2007), Han and Li (2010), Zhu and Liu (2014), and Luo (2017). The third solution is to increase the share of social donations in fundraising, being proposed by Wu (2007), Zhou and Jiang (2008), Han and Li (2010), Wang (2012), and Zhu and Liu (2014), by, for instance, raising public awareness of charity. The fourth measure is to diversify financing methods and channels, being noted by Deng and Zong (2008), Zhou and Jiang (2008), Han and Li (2010), Wang (2012), and Luo (2017). The fifth one is to improve the social credibility of NGOs, being mentioned by Zhou and Jiang (2008), Han and Li (2010), Wang (2012), Luo (2017), and Fu (2018). Other solutions, such as increasing self-generated income (Deng & Zong, 2008), seeking support from international NGOs and financial associations (Zhou & Jiang, 2008), are also being

proposed but in a rather small number of papers.

To sum up, there have already been several papers in the field discussing the funding problem faced by Chinese NGOs, and several reasons and corresponding solutions were being proposed. However, there is little recent research in the field, which is a blank space that this paper is going to fill out.

4. Case Analysis

4.1 Sany Foundation

Sany Foundation is a none-profit foundation initiated by Sany Group and was registered with the Beijing Civil Affairs Bureau on December 31, 2013. It obtained the 4A certificate of China Social Organization Evaluation Level in January 2019. Sany Foundation is the first in China to put forward the concept of “scientific public welfare”, through which public welfare can fully realize its value, bring real changes to the world, and build a beautiful society full of vitality, goodwill and trust. Its rural development projects, i.e. poverty alleviation projects, focus on a variety of aspects such as health & elderly care, community engagement, infrastructure & renovation, and sustainable agriculture. Since Sany Foundation is one of the institutions of Sany Group, and the majority of fundings of Sany Foundation comes from Sany Group’s donation. With the Group’s help, Sany Foundation has not been facing serious funding issues. However, from their annual financial report, we can still notice some measures been taken to maintain their funds and operations.

There are several major sources of funding that Sany Foundation has. First, most of the Foundation’s fundings comes from donations. From the Sany Foundation’s donation statistics for 2022-2024 that is unveiled in its official website, we can tell that the foundation has received a total of 103,857,280.00 RMB of donations from January 2022 to August 2024. Specifically, almost 85% of the donations are from Sany Group or the subsidiaries of Sany Group, 11% is from other registered companies, 4% of them come from individual donors, and about 0.1% is from the other foundations. Second, the Foundation has service revenue. According to Sany Foundation’s 2023 annual financial report, the services include technical & engineering education programs, machinery rescue programs, rural development programs, etc. The foundation also has a total amount of

5,000,000.00 RMB of long-term debt investment by the end of 2023. However, there has not been any investment return up to now.

As for the foundation’s costs, according to the annual financial report, in 2023, Sany Foundation spent 39,436,920.92 RMB on operations and 2,066,972.58 RMB on administration. The Foundation’s administrative cost only takes up about 5% of its total costs, which is beneficial for the Foundation since most of its money are spent on the programs that it initiated. In comparison, in Save the Children, one of the most famous NGOs worldwide, 85% of its expenditures goes to program services and the rest 15% goes to administrative cost.

Sany Foundation also benefits from its effective management. Liang Zaizhong, the founder of the foundation, majored in International Development at Harvard University’s Kennedy School of Government. High-quality experience of education can provide him with professional knowledge to successfully run the Foundation. Shen Danxi, the secretary-general of the Foundation, holds a Bachelor’s degree from Peking University and a Master’s degree from the Harvard Graduate School of Education. She used to work for philanthropic programs both in China and in the US. All the above proves her possession of a solid educational background and extensive experience in public welfare practice.

Additionally, the Foundation actively advertises its operations, institutional culture, and its own ideas of charity. Sany Foundation has an official website, where it discloses basic information about its operations and achievements, culture and ideas, as well as its annual reports and audited financial reports. The Foundation also has an official account on WeChat, a popular social media platform in China, which further promotes its publicity and amongst the general audience and build awareness of Sany Foundation and its programs. These marketing efforts are expected to mobilize more social resources and attract funding from a diverse range of investors.

4.2 Xiaoyun Poverty Alleviation Center

Xiaoyun Poverty Alleviation Center is an NGO focusing on public welfare in Yunnan. It is initiated by Li Xiaoyun, a well-known development scientist and former dean of the College of Humanities and Development of

China Agricultural University. Before 2013, non-profit organizations in China showed a “collective absence” in the field of targeted poverty alleviation. Professor Li Xiaoyun believes that the reason for this phenomenon lies in the insufficient supply of institutional resources, and the government should focus on the development needs of public welfare organizations when formulating public budgets, especially in the field of people’s livelihood, and should consider leaving a certain space for public welfare departments to participate. In view of this, Li Xiaoyun came up with the idea of creating his own public welfare organization to participate in the “last-mile work” of targeted poverty alleviation. Therefore, in March 2015, Li Xiaoyun registered and established the Mengla Xiaoyun Poverty Alleviation Center in Mengla County, Yunnan, a southwest province of China.

Xiaoyun Poverty Alleviation Center’s funding is mostly from the government. In the year 2023, the Center received 8,000,000 RMB from the government. In addition, from a project-specific point of view, in the Hebian Village Experiment, the Center gained about 10,000,000 RMB from the government, used for the construction of housing and infrastructure, etc. Notably, the Center successfully combined government resources with public welfare resources. In the year 2015 to 2016, Xiaoyun Poverty Alleviation Center raised public funds for the construction of the Yao Village by the River and the construction of the guest rooms of Yao mothers through Tencent’s “99 Giving Day” Program, raising more than 1,100,000 RMB and 600,000 RMB respectively. The Center’s second most primary source of funding is donations. For instance, since the establishment of Xiaoyun Poverty Alleviation Center, the Center has been receiving financial support from the Dunhe Charity Foundation for four consecutive years. Soon after that, a number of public welfare organizations, such as Youcheng Entrepreneur Poverty Alleviation Foundation, China Women’s Development Foundation, Amity Foundation, Nandu Foundation, China Merchants Foundation, and China Foundation for Poverty Alleviation, participated in the Hebian Village Experiment, an on-site poverty alleviation practice in poor villages initiated by Xiaoyun Poverty Alleviation Center, by providing project support. The Center’s third most prominent source of funding is investment. In 2023, Xiaoyun Poverty Alleviation Center gained

350,000 RMB from investments, which is a relatively large amount of money that regional NGOs can obtain from investments.

As for the Center’s distribution of its fund, in 2023, Xiaoyun Poverty Alleviation Center spent 60,000,000 RMB on their operations and 750,000 RMB on administration. The Center’s administrative cost takes up 11% of its total costs, which is a relatively beneficial ratio for the organization, since most of the expenditure is being put into the operations that the Center initiated instead of becoming an overhead cost.

5. Possible Coping Measures

Based on the status quo of the two NGOs and the literature review, this research proposes several measures and suggestions that can help Chinese NGOs better cope with the funding issue that they might have. I believe that fundraising is a point where a bigger picture can be seen. To solve this problem, not only fundraising itself, but also a comprehensive and systematic improvement of NGO is involved, including internal governance structure, human resources, publicity and communication, project management, fund management, and so on.

First is to standardize the internal governance structure of NGOs. As the cornerstone of organizational management, a standard and efficient internal governance structure is pivotal for enhancing the organization’s reputation and obtaining more external financing. Additionally, the improvement of internal management would also help reduce administrative costs and elevate the efficiency of the use of funds.

The second is to recruit or collaborate with talents with high professionalism and global vision. This would help the organization adopt scientific management methods and gain access to more external resources, including expanding global capital cooperation.

The third is to attract wide publicity for both the organization itself and its projects—to advertise what the organization’s ideas are, what has been done, what is currently being doing, and what is been planning to do. By promoting themselves and the projects, NGOs will gain greater social acceptance and thus become more competent in attracting funding. It would also be beneficial for NGOs to consider new platforms of advertising, including the Internet, new media, and other fashionable ways, given how active people nowadays are on these platforms. Most Chinese people are relatively reserved in dealing

with interpersonal relationships and are not used to asking others for help and money. But the Chinese are also very philanthropic. Therefore, just take the first step and boldly introduce your project, career, and ideas, and you will always meet like-minded donors.

The fourth is to raise capacity for maintaining and increasing the value of assets, as well as the competence of controlling risks. For example, the NGOs should consider investing a portion of funds or income to obtain investment returns. To place themselves in a relatively safe and secured position, NGOs should also consider investing their money in low-risk financial products, such as treasury bonds and wealth management products issued by big banks.

6. Conclusion

This study aims at studying the funding problem being faced by Chinese NGOs through literature review and case analysis. There are five main factors that cause Chinese NGOs' funding issue—a lack of government fund, a lack of social and private donations, a lack of diversity in the ways and channels of financing, a lack of NGO's self-competence, and a low social recognition. Moreover, there are also several solutions that have been proposed—promoting the improvement of laws and regulations, increasing government fund, increasing the share of social donations in fundraising, diversifying financing methods and channels, and improving the social credibility of the NGO.

To further the research, the research scrutinizes two Chinese NGOs, Sany Foundation in Beijing and Xiaoyun Poverty Alleviation Center in Yunnan. To sum up, there are several main sources of funding that NGOs commonly have—donations, the government, investment, and operation revenue.

Building on literature review and case study, the research also proposes several measures that NGOs may take to cope with their funding issue, including standardizing the internal governance structure of NGO; recruiting or collaborating with talents with high professionalism and global vision; attracting wide publicity for both the organization itself and its projects; raising capacity for maintaining and increasing the value of assets, as well as the competence of controlling risks.

For future research on the relationship between NGO organizations and funding, it would be

beneficial to conduct more case studies of Chinese NGOs to provide different insights into the funding problem that they are facing. Further, for small NGOs whose information could not be found in public, interviewing members or the administrator of NGOs would be a possible way to alleviate the shortage of information.

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