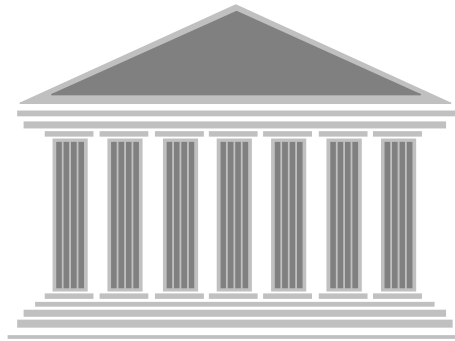


# CHARITABLE FOUNDATIONS IN EAST ASIA<sup>1</sup>:

## *Emerging Partners in Development?*<sup>2</sup>



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<sup>1</sup> Reprinted from *Social Development Issues* 22(2/3):3-14, 2000.

<sup>2</sup> Funding in support of this study was received from the Aspen Institute Nonprofit Sector Research Fund (97-1-NSRF-03), the Ford Foundation, the Research Development Fund of the University of Pennsylvania School of Social Work, and the Center for East Asian Studies (CEAS) of the University of Pennsylvania. Academic organizations in China, Hong Kong SAR, Korea, and Mongolia contributed to the field research expenses of the study through voluntary contributions of translation, housing, transport and related services. In all cases, the investigator expresses appreciation to the project's many benefactors. A special thank you is extended to Howard Nemon who assisted with original data collection in Hong Kong SAR and Korea.

# CHARITABLE FOUNDATIONS IN EAST ASIA: Emerging Partners in Development?<sup>3</sup>

Richard J. Estes

## *Introduction*

East Asia is one of the world's most rapidly developing regions (Estes, 1996, 1998b). Consisting of China, Hong Kong SAR<sup>4</sup>, Japan, North Korea, South Korea, Macau SAR, Mongolia, and Taiwan, the East Asian region is undergoing dramatic social, political, and economic reform. Indeed, by the year 2010 two more of the region's societies<sup>5</sup>--Taiwan and Hong Kong SAR--are expected to join Japan (1964) and Korea (1997) in being reclassified by the World Bank as "mature market economies." Among other reforms, the region's economic transformation is contributing to the emergence of a great variety of "civil society" organizations in cultures that traditionally have been dominated by powerful State-centered systems. These new social organizations, including the region's emerging charitable foundations, are forming partnerships with government and with other citizen groups in spearheading both national and regional development (APPC, 1998a, 1998b; Cook, 1994; Estes, 1998a; Fisher, 1998; Himalaya Foundation, 1999; Jung, 1994; McCarthy et al., 1992; Moser, 1996; Salamon & Anheier, 1996; Vacek, 1998; Yamamoto, 1995; Zhao, 1999).

The research reported in this paper builds on the investigator's continuing body of

research into socioeconomic development trends occurring in the Asia-Pacific region (Estes, 1988, 1992, 1996, 1998b). The role of the non-profit sector in helping to shape the region's emerging civil society has been a central focus of this research. In recent years, the investigator's attention turned to the role of private philanthropy in helping to accelerate the pace of Asian social development (Estes, 1998a).

This paper reports the major findings obtained from two years of research into the mission, revenue sources, funding priorities and grant-making activities of charitable foundations in six East Asian societies.<sup>6</sup> Among other issues, the paper focuses on:

1. the social, political, and economic factors that have contributed to the emergence of charitable foundations in each society's history;
2. the contribution of historical, religious, and cultural forces in shaping the construction of each society's approach to foundation-building;
3. similarities and differences in the structure, grant-making and other activities of foundations both within and across each society and, when possible, with that of comparable institutions in the West.

The paper also makes a preliminary assessment of the contribution of charitable foundations in East Asia toward the region's broader social development agenda.

## *Research Methods*

Work on the project was undertaken in three stages, the results for the first two of which (1994-1996) were reported elsewhere (Estes, 1998a). The research reported in this paper spans a period of 24 months beginning July, 1997. In all, the study involved a combination of: 1) archival research; 2) consultations with leading scholars and other specialists knowl-

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<sup>3</sup> Earlier versions of this paper were presented at the 28<sup>th</sup> annual conference of the Association for Research on Nonprofit Organization and Voluntary Action (ARNOVA) held in Arlington VA November, 1999 and at the Hong Kong-America Center of the Chinese University of Hong Kong (January, 2000).

<sup>4</sup> SAR is used to refer to Special Administrative Regions (SAR) of the Peoples Republic of China.

<sup>5</sup> Owing to the unique political status of Hong Kong SAR and Taiwan vis-à-vis the Peoples Republic of China, the terms *society* and *societies* rather than *country* and *countries* will be used when referring to the region's geo-political territories.

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<sup>6</sup> For purposes of this paper "charitable foundations" refer to "not-for-profit fiduciary organizations that provide financial support to other not-for-profit and other public benefit organizations."

edgeable about the history and contemporary trends in East Asian philanthropy; 3) original field research carried out in five East Asian societies (China, Hong Kong SAR, Japan, Mongolia, South Korea); 4) reciprocal visits to the United States by delegations of senior foundation leaders from China and Japan; and 5) su-

pervised residencies in American philanthropy for selected post-graduate scholars from Mongolia. Chart 1 identifies the timing and major tasks associated with each of the project's major phases.

**Chart 1**  
**Field Research Tasks and Phasing**  
**(July, 1997-November, 1999)**

<b>TIMING</b>	<b>MAJOR RESEARCH TASKS</b>	<b>SPONSORS</b>
<b>Phase 1</b> <b>July- Oct, 1997</b>	Consultations with specialists in East Asian charity and philanthropy; archival research. Electronic searches of the World Wide Web.	Aspen Institute Nonprofit Sector Research Fund
<b>Phase 2</b> <b>Nov-Dec, 1997</b>	Preparation of research protocols: interview guides, archival checklists, lists of resource persons, preparatory communication, etc.	Research Development Fund of the University of Pennsylvania School of Social Work
<b>Phase 3</b> <b>Jan-Feb, 1998</b>	Delegation of senior leaders of Chinese foundations engage in month-long seminar on patterns of Sino-American philanthropy under the project's leadership	Ford Foundation; local Asian partners
<b>Phase 4</b> <b>Mar 1998</b>	Field Research and original data collection in China and Mongolia	Aspen Institute Nonprofit Sector Research Fund; local Asian partners
<b>Phase 5</b> <b>July-Aug, 1998</b>	Field research and original data collection in Hong Kong SAR, Korea, and Japan	Aspen Institute Nonprofit Sector Research Fund; Center for East Asian Studies of the University of Pennsylvania; local Asian partners
<b>Phase 6</b> <b>Oct, 1998</b>	Delegation of senior Japanese NGO leaders engage in week-long seminar on Japanese-American patterns of philanthropy in Philadelphia	Asia Foundation and United States Information Agency
<b>Phase 7</b> <b>Jan-Dec, 1999</b>	Arrival at Penn of a year-long post-graduate fellow from Mongolia to study dynamics of private philanthropy in a democratic society	Save the Children/Mongolia (United Kingdom)
<b>Phase 8</b> <b>Nov, 1999</b>	Principal investigator participates in national summit with senior Chinese leaders to discuss future directions for nonprofit organizations, including foundations, in the PRC	China Youth Development Foundation; United Nations Development Programme; Ford Foundation

## ***Social Conditions In the East Asian Region***

Social conditions in East Asia are among the most variable of any world region (Chart 2). East Asia, for example, contains more than 1,473 million people, approximately 26% of the world's total population. Nearly half of the region's people live in poverty. Most of the region's poor are concentrated in central and western China, albeit since the introduction of free market reforms in the early 1990s Mongolia has experienced a dramatic increase in poverty among its population. Remarkably, almost three-fourths of the region's population reside in urban centers; only the population of China remains predominately rural (68%). Per capita income levels within the region (adjusted for *purchasing power parity*)<sup>7</sup> range from a low of \$2,250 for Mongolia to more than \$25,100 for Hong Kong SAR. Cultural diversity in the East Asian region is comparatively low.

All of the region's countries are experiencing problems associated population size (either too large or too small), the spatial distribution of their population, access to natural and fiscal resources, environmental imbalances, economic destabilization, and the effects of globalization. Two of the region's societies--South Korea and Taiwan—continue to be engaged in protracted military conflicts with neighboring societies.

## ***East Asia's Emerging Foundation Movement***

Relative to their Western counterparts, Asian foundations are comparatively new social institutions. The region's oldest foundation is the Chinese Children's Fund (CCF). Established in Taiwan in 1950, the CCF was founded as an *operating* rather than as a grant-making foundation

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<sup>7</sup> A concept developed by Summers and Heston (1991) for the United Nations, PPP measures the purchasing power of local currencies in securing a pre-determined basket of goods and services relative to an internationally determined norm. In doing so, PPP "smoothes out" the distortions in income (and poverty) measurement that result when using unadjusted GNP or GDP statistics.

for the purpose of "promoting and advocating for the welfare of children, adolescents, women and families." In 1997, the CCF had an endowment of some \$28 million.<sup>8</sup> In that same year, the CCF spent some \$39 million on family-oriented services delivered by its staff of 430 employees--the revenues for about one-fifth of which come from subsidies provided by Taiwan's central government.

The region's second oldest foundation, the Nippon Foundation (Japan), was not established until 1962--12 years after the founding of the CCF. Modeled after the American Ford and Rockefeller foundations, the Nippon Foundation seeks to promote "the alleviation of human suffering, the advancement of human welfare, and the promotion of world peace." This landmark Japanese foundation--previously known as the Sasakawa Foundation--receives the bulk of its operating funds--some \$515 million in 1996--from the motorboat gambling profits of its sponsoring corporation. The foundation also earns income from a separately denominated endowment and uses both sources of income to finance its grant-making activities.

Chart 3 identifies other pioneering foundations in East Asia. More complete descriptions of the founding purposes, histories, fiscal resources, grant-making priorities can be obtained from APPC (1998a), Estes (1998a), HKCSS (1998) and the Himalaya Foundation (1999).

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<sup>8</sup> Unless otherwise indicated, all currency figures cited in this paper are in United States dollars (US\$).

**Chart 2**  
**Selected Social and Economic Characteristics**  
**Of East Asian Societies (N = 6)**

	Population (Millions) 1998	% Population Urban 1997	Per Capita Income Level (PPP) 1998	Ethnic/Racial Mix  1998
<b>China</b>	1247.0	31.9	\$3,600	91.9% Han Chinese 8.1% Minorities
<b>Hong Kong</b>	6.9	100.0	\$25,100	95.0% Chinese; 5.0% Other
<b>Japan</b>	126.2	78.4	\$23,100	99.4% Japanese
<b>Korea, South</b>	46.9	83.5	\$12,600	99.9% Korean
<b>Mongolia</b>	2.6	61.9	\$2,250	90% Mongol; 4% Kazak 2% Chinese; 2% Russian
<b>Taiwan</b>	22.1	75.0	\$16,500	84.0% Taiwanese 14.0% Mainland Chinese 2% Aboriginal
<b>TOTAL</b>	1473.1			
<b>AVERAGE</b>		71.8	\$13,858	
<b>% of World Total</b>	25.5			

**Chart 3**  
**East Asia's Earliest Foundations**  
**By Country/Society, Name of Foundation,**  
**Year Established and Charitable Focus (N = 23)**

SOCIETY	NAME	YEAR ESTABLISHED	CHARITABLE FOCUS
<b>China</b>			
	China Children and Teenagers Fund	1981	To support children and families; disaster relief; support for institutions and organizations serving children.
	Soong Ching Ling Foundation	1982	To promote the welfare of children, especially in the areas of arts and culture, science and technology, as well as their physical and mental development. To promote reunification of China.
	China Cancer Research Foundation	1984	To promote effective approaches to cancer treatment and cure through scientific research.
	China Disabled Person's Welfare Foundation	1984	To promote the integration of disabled persons into the mainstream of society.
<b>Hong Kong SAR</b>			
	Community Chest of Hong Kong	1968	To obtain donations through community wide appeals on behalf of its member agencies; to help people in need.

<b>SOCIETY</b>	<b>NAME</b>	<b>YEAR ESTABLISHED</b>	<b>CHARITABLE FOCUS</b>
	Bank of East Asia Education Foundation	1969 (reorganized 1993)	To promote, assist and join with others in the promotion of education in Hong Kong.
	Croucher Foundation	1979	To promote the standard of natural science, technology and medicine in Hong Kong by awarding grants mainly to scientists based in and serving Hong Kong.
	Asia Cultural Council	1986	To award grants for advanced study in the fine arts, arts administration and related fields.
<b>Japan</b>			
	Nippon Foundation	1962	To promote the alleviation of human suffering, the advancement of human welfare, and the promotion of world peace.
	Toyota Foundation	1974	To contribute to the development of human-oriented society by awarding grants for research and projects related to traffic safety, human and natural environments, social welfare, education and culture, and other fields.
	Niwano Peace Foundation	1978	To contribute to the realization of world peace and the enhancement of culture by promoting research and activities based on a religious spirit... in such fields as thought, culture, science, and education.
	Asian Community Trust	1979	To support grassroots self-help efforts of non-governmental organizations involved in sustainable social and economic development in Asia.
<b>Korea</b>			
	Samsung Foundation of Culture	1965	To improve the welfare of the alienated classes. To build child care center to enrich education.
	LG Yonam Foundation	1969	To promote national development through the improvement of academic resources.
	Daesang Foundation of Culture	1971	To promote a more wholesome society through education.
	POSCO Scholarship Society	1971	To provide domestic scholarships to students in the Pohang city and Kwangyang city region.
	Korea Sanhak Foundation	1974	To support research, academic societies and conferences, international activities and industrial-educational cooperative activities.
	Korea Foundation for Advanced Studies	1974	To cultivate excellent scholars through national competition.
<b>Mongolia</b>			
	Mongolian Children's Fund	1997	To provide financial assistance to needy children and their families.
<b>Taiwan</b>			
	Chinese Children's Fund	1950	To install family helper projects throughout Taiwan for the care of the needy family and the development of social welfare; respond to the practical needs of society with a children's home and a children's talent center in Taipei.
	S.Y. Dao Memo-	1970	To spread knowledge about cancer and sponsor cancer

SOCIETY	NAME	YEAR ESTABLISHED	CHARITABLE FOCUS
	rial Fund		prevention activities.
	Hong's Foundation for Education and Culture	1971	To follow the founder's humanitarian spirit of concern, growth and harmony; to promote cultural education and publishing.
	Hsin-Yi Foundation	1971	To provide ordinary citizens with information on pre-school education; engage in pre-school education research and development; build bridges between research and implementation.

**Data Sources:** Estes (1998a); APPC, 1998a; Himalaya Foundation, 1999.

***Organizational Genesis,  
Mission, Enabling Legislation,  
And Institutional Locus of Control  
of Contemporary East Asian Foundations***

Much like their Western counterparts, East Asian foundations vary enormously with respect to virtually all aspects of their organizing purposes, structure and day-to-day operations. These differences are rooted in the region's unique cultural and political histories and, to a large extent, in the pragmatic nature of East Asian business leaders in dealing with the complexities of bureaucratic life in highly centralized systems. Hence, while many similarities exist in the *visible structures* of Eastern and Western foundations important differences inform their *ideological and philosophical traditions* with respect to both their grant-making and other charitable activities (Baron, 1996; Chapman, 1996; Chow, 1987; Leung & Nann, 1995; Moser, 1996; Sinn, 1997a, 1997b; Tucker, 1998; Zhao, 1998).

A. Enabling Legislation and Administration Regulations

Chart 4 identifies the major enabling legislation and regulations associated with nonprofit organizations for each East Asian society. In virtually all cases, these laws and regulations apply equally to foundations and other charitable organizations operating under the provisions of the statutes cited. When available, the chart also identifies legal commentaries associated with some of these laws. For more recent changes to

the legal environment affecting NPOs in East Asia, the reader is referred to the home page of the International Center for Nonprofit Law which monitors changes in national laws relating to NPOs worldwide.<sup>9</sup>

B. Number

Approximately 17,000 organizations are officially registered as charitable "foundations" in the East Asia region. The majority of these foundations are located in just three countries, i.e., Japan (N=13,000),<sup>10</sup> Taiwan (N=1,650) and China (N=1,000). Substantial numbers of foundations also exist in Korea (Jung, 1991) and Hong Kong (HKCSS, 1998; Noda, 1995) but, owing to local privacy laws, their precise numbers and locations could not be determined from official sources.

<sup>9</sup> <http://www.icnl.org>

<sup>10</sup> See *The Chronicle of Philanthropy* (December, 1999:1, 27-31) for a discussion of Japan's emerging NPO sector including the changing role of private foundations following the Kobe earthquake of 1995.

**Chart 4**  
**Law, Pending Legislation and Regulations Relating to Nonprofit Organizations In Selected East Asian Societies, 1990-99 (N = 6)**

SOCIETY	Laws & Regulations Relating to Nonprofits	Related Reports and Commentaries
<b>China</b>	<ul style="list-style-type: none"> <li>• State Council. 1998. <i>NGO Regulations Governing Registration and Administration of Social Organizations</i> (November 4)</li> <li>• State Council. 1989. <i>Regulation on the Management of Social Organization Registration</i> (October 25)</li> <li>• State Council. 1989. <i>Regulations Concerning Registration and Administration of Public Organizations</i> (October 25)</li> </ul>	<p><u>Reports:</u></p> <ul style="list-style-type: none"> <li>• Boisture, Robert. 1999. <i>Options For Increasing U.S. Support for Chinese Nonprofit Organizations</i></li> <li>• Yang, Tuan. 1998. <i>A Study of NPOs in China</i> (June 1)</li> <li>• ICNL. 1996. <i>Report on Social Organizations in China</i> (December 24)</li> <li>• Estes, Richard J. 1998a. <i>Emerging Chinese Foundations: The Role of Private Philanthropy in the New China</i></li> <li>• National Committee on U.S.-China Relations. 1994. <i>The Rise of Non-governmental Organizations in China: Implications for Americans</i> (May)</li> </ul>
<b>Hong Kong SAR</b>	<ul style="list-style-type: none"> <li>• <i>Laws of Incorporation</i> (undated)</li> </ul>	<ul style="list-style-type: none"> <li>• <i>From Passivity to Activism: Human Rights NGOs and the Law in Hong Kong</i> (undated)</li> </ul>
<b>Japan</b>	<ul style="list-style-type: none"> <li>• Diet of Japan. 1998. <i>Laws to Promote Specified Nonprofit Activities</i> (March 25)</li> <li>• Diet of Japan. <i>Social Welfare Act</i> (undated)</li> <li>• Diet of Japan. <i>Private School Act</i> (undated)</li> <li>• Diet of Japan. <i>Religious Corporation Act</i> (undated)</li> </ul> <p><u>Draft Law</u></p> <ul style="list-style-type: none"> <li>• Diet of Japan. <i>Draft NPO Bill</i> (to Promote Citizens' Activities) (undated).</li> </ul>	<p><u>Documents:</u></p> <ul style="list-style-type: none"> <li>• Simon, Karla. 1995. <i>Legal and Regulatory Framework for the Not-For Profit Sector</i> (Japan)</li> </ul> <p><u>Selected Reports:</u></p> <ul style="list-style-type: none"> <li>• 1998. <i>Report on the New NPO Law</i></li> <li>• Ikegami, Kiyoko. 1998. <i>The Legal Status of Non-Governmental Organisations and Their Role in a Pluralistic Society</i></li> <li>• Amemiya, Takako. 1994. <i>The Non-profit Public Corporation in Japan</i></li> <li>• McLean et al. <i>Charitable Contributions in the OECD: A Tax Study/Japan</i> (undated)</li> <li>• Yamaoka, Yoshinori. <i>The Current Status of the Public-Interest Corporation System and Need for a New Nonprofit Corporation System as a Facilitating Mechanism of Citizens' Public Interest Activities</i> (undated)</li> </ul>
<b>Korea</b>	<ul style="list-style-type: none"> <li>• Two laws in Korean (to be translated)</li> </ul>	<ul style="list-style-type: none"> <li>• Yoon, Dae-Kyu. 1995. <i>New Developments in Korean Constitutionalism: Changes and Prospects</i> (January 27).</li> <li>• Lee, Tai Ro. 1991. <i>Korea</i></li> <li>• Kang, Moon-Kyu (undated). <i>Coun-</i></li> </ul>

SOCI- ETY	Laws & Regulations Relating to Nonprofits	Related Reports and Commentaries
<b>Mongolia</b>	<ul style="list-style-type: none"> <li>• State Great Hural. 1996. <i>Law on State and Local Property</i> (August 1).</li> <li>• State Great Hural. 1997. <i>Law of Mongolia on Non-Governmental Organizations</i> (January 31)</li> <li>• <i>Excerpts from the Civil Code of Mongolia</i> (undated)</li> </ul> <p><u>Draft Laws:</u></p> <ul style="list-style-type: none"> <li>• State Great Hural. 1997. <i>Draft of Proposed Amendments to the Mongolian Law on State and Local Property</i> (March 14)</li> <li>• State Great Hural. 1997. <i>Draft Law of Mongolia on Non-Governmental Organization</i> (January 24).</li> </ul>	<p><i>try Report.</i></p> <p><u>Reports:</u></p> <ul style="list-style-type: none"> <li>• <i>Three Phases of Privatization</i>, (undated)</li> <li>• <i>Overview of Mongolian Law on Non-Governmental Organizations</i> (undated)</li> </ul> <p><u>Commentary on Draft Legislation:</u></p> <ul style="list-style-type: none"> <li>• ICNL's Questions and Comments on the <i>Law of Mongolia on Non-Governmental Organizations</i>, (March 14, 1997)</li> <li>• ICNL's Comments on the <i>Mongolian NGO Draft Law</i> (February 18, 1997)</li> <li>• ICNL's Comments on the Draft "<i>Law on Non-Governmental Organizations</i>" Republic of Mongolia (January 14, 1997)</li> </ul>
<b>Taiwan</b>	<ul style="list-style-type: none"> <li>• <i>Excerpts from the Civil Code</i> (undated)</li> <li>• <i>Educational Cultural Foundation Law</i> (undated)</li> <li>• <i>Environmental Protection Foundation Law</i> (undated)</li> <li>• <i>National Welfare Foundation Law</i> (undated)</li> <li>• <i>Religious Foundation Law</i> (undated)</li> <li>• <i>Fundraising Law</i> (undated)</li> <li>• <i>Medical and Sanitary Foundation Law</i>, (undated)</li> <li>• <i>Application Form for Fundraising</i> (undated)</li> <li>• <i>Economic Affairs Foundation Law</i>, (undated)</li> </ul>	<ul style="list-style-type: none"> <li>• Hui, Chih. 1997. <i>Legal Regulations for Non-Profit Organizations in Taiwan</i> (November 1).</li> <li>• Hsiao, Hsin-Huang. 1994. <i>The Development and Organization of Foundations in Taiwan: An Expression of Cultural Vigor in a Newly Born Society</i>.</li> <li>• Ling, Joanne. 1990. <i>Country Report. The Social Welfare Organizations' Views on Legislations of Fundraising</i> (undated).</li> </ul>

**Source:** International Center For Not-For-Profit Law (ICNL). 1999.

**Chart 5**  
**Selected East Asian Foundations**  
**By Type and Institutional Locus of Control, 1998<sup>11</sup>**

FOUNDATION TYPE <sup>12</sup>	SOCIETY (%/N) <sup>13</sup>						TOTAL (N=361)
	China (N=18)	Hong Kong SAR (N=11)	Japan (N=16)	Korea (N=15)	Mon- golia (N=1)	Taiwan (N= 300)	
<b>TYPE I: Independent Foundations</b>							
1a. <i>Family Controlled</i>			6.3 (1)				<1.0 (1)
1b. <i>Trust Controlled</i>		9.1 (1)	6.3 (1)			70.0 (210)	58.7 (212)
1c. <i>Operating</i>	16.7 (3)	9.1 (1)			100.0 (1)		1.4 (5)
1d. <i>Religion-Oriented</i>	5.6 (1)		6.3 (1)				<1.0 (2)
1e. <i>Gambling/Lottery- Resourced</i>		9.1 (1)	12.5 (2)				<1.0 (3)
1f. <i>Foundation Consortia</i>		9.1 (1)					<1.0 (1)
<b>TYPE II: Corporate Foundations</b>		45.4 (5)	37.5 (6)	80.0 (12)		25.0 (75)	27.2 (98)
<b>TYPE III: Government-Linked Foundations</b>	72.2 (13)		31.3 (5)	20.0 (3)		3.0 (9)	8.3 (30)
<b>TYPE IV: Fund Raising Foundations</b>							
4a. <i>Community Foundations</i>		9.1					<1.0

<sup>11</sup> The actual number of foundations incorporated in each society exceeds the number shown here. In China, for example, more than 1,000 organizations are officially registered with the People's Bank of China as "foundations." The number of registered foundations in Taiwan is about 1,650. The number of foundations in Hong Kong, Japan and Korea could not be determined owing to the ways in which such organizations may be registered, e.g., in Hong Kong either as units within for-profit corporations or as free-standing not-for-profit entities with the former being the preferred pattern. Thus, the percentages reported in this table are based only on those foundations for comparable which descriptive data could be obtained.

<sup>12</sup> The typology used here is that developed by the Asia Pacific Philanthropy Consortium (APPC).

<sup>13</sup> Excluded from these listings are international foundations with branch offices in East Asia.

FOUNDATION TYPE <sup>12</sup>	SOCIETY (%/N) <sup>13</sup>						TOTAL (N=361)
	China (N=18)	Hong Kong SAR (N=11)	Japan (N=16)	Korea (N=15)	Mon-golia (N=1)	Taiwan (N=300)	
		(1)					(1)
4b <i>Fund-Raising Foundations</i>	5.6 (1)	9.1 (1)					<1.0 (2)
<b>OTHER TYPES (UN-CLASSIFIED)</b>						2.0 (6)	1.7 (6)

**Data Sources:** Asia-Pacific Philanthropy Consortium (APPC), 1998a; for China, Estes (1998); for Taiwan, Hsiao (1994, 1998); Himalaya Foundation, 1999.

### C. Taxonomy of East Asian Foundations

A conceptual breakthrough in the classification of the East Asian foundations occurred in 1996 with the adoption by the Asian-Pacific Philanthropy Consortium of a taxonomic system for use in grouping the region's diverse foundations (APPC, 1998a).<sup>14</sup> Based on a limited census of foundations among its member nations, the APPC divided the region's foundations into four broadly defined categories and eight subcategories. The general parameters of the APPC classification system are summarized in Chart 5 which also groups a sampling of the region's foundations in the taxonomy.

- Japanese foundations are the most numerous and most complex in East Asia (Greene, 1999; London, 1991; Menju & Aoki, 1995). They also have amassed the region's longest history of development assistance to other countries.
  - The majority of Japanese foundations are either corporate (38%) or government-linked (31%) foundations. As such, comparatively few of these foundations have separately de-

nominated endowments of their own and, instead, must depend on the uncertainties of the annual public and corporate budgeting processes of their sponsors to determine their grant-making capacities (and priorities) for succeeding years. Even Japan's national "flagship" foundation--the Japan Foundation--finds itself unable to undertake other than short- or near-term financial planning.

- A comparatively small number of Japanese foundations, however, have developed into fully independent foundations (e.g., Nippon Foundation, Sasakawa Peace Foundation, Toyota Foundation, among others). These foundations have become highly professionalized and have developed progressive development assistance programs both within Japan and to other countries of the Asian region.
- The majority of Taiwan's 1,650 foundations are *operating* rather than *grant-making* foundations (Hsiao, 1998; Himalaya Foundation, 1999). As such, relatively few of Taiwan's foundations award grants to organizations they do not manage directly. Important, though, is that the majority of Taiwan's foundations also are *trust-controlled* (70%), i.e., their assets are managed by banks rather than by families, religious institu-

<sup>14</sup> Established in 1994, the goals of the APPC include the creation of a region wide forum through which East Asian foundations can: a) promote the role of philanthropy in addressing the region's critical issues; b) increase the flow and effectiveness of philanthropic giving; c) respond to the region's institutional strengthening needs; and d) facilitate collaborative efforts among the region's philanthropies (APPC, 1999).

tions, gambling consortia, or government ministries.

- Approximately one-in-four of Taiwan's foundations are corporate foundations (25%) but, unlike in Japan, Korea and Hong Kong SAR, the majority of these foundations have access to both investment income and a share of corporate profits (Hsiao, 1996, 1998).
- Foundations in Korea follow a similar pattern to that observed for Japan, i.e., a mix of corporate (80%) and government-linked (20%) foundations. Unfortunately, only a handful of Korean foundations have separately denominated endowments with the result that most are fully dependent on the annual budgeting process of their sponsors to determine their grant-making capacity for a given year.
  - As is the situation with corporate foundations in Japan, large grants made by Korean corporate foundations are closely linked to perceived corporate business development interests (e.g., improving public relations, opening new markets, promoting new products, etc.)
  - Interesting, too, is that the grant-making policies of many Korean foundations often are closely tied to government policies. Indeed, considerable difficulty was experienced in distinguishing the boundaries of foundations and government grant-making in Korea, especially in the support provided by each for basic community services (e.g., many Korean foundations operate hospitals and health services, shelters for the homeless, residential centers for the aged and some even provide monthly income support ser-

vices to single heads of households).

- The majority of foundations in China are government-linked (72%), i.e., they were established either directly or indirectly by some ministry of the government and, in large measure, continue to have their policies overseen by that ministry or a government bureau associated with the ministry, i.e., the Ministry of Civil Affairs, the People's Bank of China, or the ministry in whose sector the general work of the foundation occurs (e.g., medicine, arts & culture, science, rural development, children & youth, etc.).
  - Owing to their organizational genesis and sponsorship, Chinese foundations are GONGOs (i.e., *government organized non-governmental organizations*) and not NGOs (i.e., *non-governmental organizations/civil society organizations*) (Estes, 1998a).
  - A small number of Chinese foundations, however, are beginning to achieve political and financial from their government sponsors (e.g., China Youth Development Foundation, China Charities Federation). Such independence will be realized slowly, however, and only as these foundations are able to amass the private resources needed to support their charitable activities.
- Approximately half of the identifiable foundations in Hong Kong SAR are corporate foundations (45%). The assets of these foundations are controlled by their sponsoring corporations--usually directly by the corporation's Chief Executive Officer (CEO). However, some foundations in Hong Kong are managed by banks (i.e., as funds left in trust by

deceased benefactors) while others are either *operating* foundations<sup>15</sup> or foundations that are managed directly by living benefactors and their family members (HKCSS, 1998).

- A rather unique situation to Hong Kong is that a minority of "foundations", or more properly *trusts*, are managed by government agencies rather than by banks or other financial institutions (e.g., Sir Robert Ho Tung Charitable Fund). The reasons for this are unique in each situation but appear to be tied to the personal histories of the individual benefactors and their relationships with the government ministries managing the trusts.
- Both the Hong Kong Community Trust and the Hong Kong Jockey Club are classified as "fund raising foundations" under the APPC taxonomic system. In their grant-making capacity, these foundations use their resources to support a broad range of charitable activities for which no other sources of funding appear not to be available. In 1999 these organizations distributed US\$24 million and US\$139 million to Hong Kong charities, respectively.

### ***Grant-Making Priorities Of East Asian Foundations***

Interviews with leaders of national foundations in each of the region's countries revealed the following factors to be the most influential in shaping their current funding priorities:

1. the social, political and economic devastation that followed the WWII and the

"wars of liberation" that followed in China and Korea;

2. the reality that two-thirds of all of the world's "absolute poor" are concentrated in Asia--with 50% of this total residing in Central and Western China;
3. globalization of the world economy and, with it, increasing dependency throughout the region (and the world) on exports as the basis for economic growth;
4. the emergence of "civil society" movements everywhere in the world--especially as collectivities of people form voluntary associations through which they seek to shape the rules by which they agree to be governed *and* limit the influence of powerful State bureaucracies over their lives;
5. since the early 1980s, the emergence of a large group of well-trained and well-qualified specialists in foundation management, grant-making, project oversight and performance assessment and, with them, the *professionalization* of philanthropy;
6. the current economic crisis notwithstanding, East Asia's unparalleled levels of economic wealth;
7. the desire on the part of many of governments in the region to reduce the size and scope of their responsibilities, i.e., China's oft repeated goal of evolving into "a big country with a small government," Japan's "new" realization on the need to support the development of its NGO sector as a partner with government in accelerating the pace of that country's development, and region-wide recognition of the critical role played by Hong Kong's NGO's in the SAR's overall development;
8. the increasing professionalization of philanthropy everywhere in the world, including in East Asia; and

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<sup>15</sup> *Operating* foundations refer to those foundations that allocate all or the majority of their financial resources to programs under their direct supervision or administration.

9. the emergence of regional organizations within East Asia that seek to promote organized philanthropy within the region, i.e., the *Japan Center for International Exchange* (Yamamoto, 1995), the *Philanthropy and Fundraising Unit* (P/FRAU) of the Hong Kong-America Center of Chinese University of Hong Kong (Deeney, 1996), the *Asia-Pacific Philanthropy Consortium* (Vacek, 1998) and, since 1998, the *NGO Research Center* of Tsinghua University in Beijing (Zhao, 1998, 1999).

In response to these powerful events, several of Japan's largest foundations have structured--in some cases restructured--themselves to assume a more activist posture vis-à-vis the region's social development needs, e.g., Nippon Foundation, Toyota Foundation, Niwano Peace Foundation, Sasakawa Peace Foundation. These foundations are awarding a substantial share of their total resources to projects that promote *international education, mutual understanding, international exchange and cooperation, cross-national research* and, in some situations, that provide time-limited grant-in-aid assistance to developing countries. Also high on the funding priority list of these "outward-looking" foundations are projects that emphasize *the emergence of democratic participatory systems, public participation in public policy making, mass education, strengthening civil society*, and so on.

In recent years several of Japan's government-linked foundations have followed the lead of its major independent foundations and have undertaken similar types of development-oriented grant-making activities (e.g., Foundation for a Global Partnership, the Abe Founda-

tion). These activities have added considerable international prestige to Japanese grant-making and, in turn, have contributed to Japan becoming a regional center for philanthropy development and education.

In addition to external environmental factors impacting on the region's foundations, of course, a great many internal forces are contributing to a reformulation of their funding priorities as well. Central among these internal factors affecting the mission and grant-making priorities of foundations in East Asia are: the death of the original benefactor; the assumption of new leadership; changes in the foundation's economic environment; altered political realities (such as those which occurred in Hong Kong SAR); and, in some cases, the resolution of the problem or need for which the foundation initially was established (e.g., support services for victims of polio or other catastrophic diseases for which cures or effective interventions have been found).

An example of the variety of purposes and goals pursued by East Asian foundations is illustrated in Chart 6 which reports the grant-making priorities of Taiwan's 300 largest foundations. The grant-making priorities of Taiwan's largest foundations closely approximate those observed for Hong Kong SAR (HKCSS, 1998, Noda, 1995) and China (Estes, 1998a), i.e., a strong preference of social investments in higher education and social welfare activities. These commitments reflect both the high value that all three societies place on both education and personal services **and** the comparative underinvestment in these sectors by the region's governments in higher education and social welfare.

**Chart 6**  
**Grant-Making Priorities of Taiwan's**  
**300 Largest Foundations, 1999**

MAJOR AREA(S) OF CHARITABLE ACTIVITY	% (N)
Cultural & Educational	59.3 (178)
Social Welfare and Charitable	25.7 ( 77)
Medical and Health Care	8.3 ( 25)
Economic Development	3.3 ( 10)
Environmental Protection	1.1 ( 3)
Others: Includes transportation and tourism, finance, law, agriculture, Taiwan/Mainland affairs, etc.	2.3 ( 7)

**Data Source:** Himalaya Foundation (1999).

### **DISCUSSION**

This paper began with a series of questions concerning the contributions made by East Asian foundations to national and regional social development, i.e., the extent to which foundations envisioned their work as a purely local activity or as contributing to the realization of a larger set of development goals and objectives. While this question cannot be answered fully in the context of the present study, many of the patterns reported in this study do suggest at least a partial answer to the question. In particular, the following findings suggest some of the limitations inherent in a more expansive social development role for many of the region's foundations.

- *Civil society* remains a comparatively unfamiliar concept throughout most of East Asia, including among leaders of many East Asian foundations (Alexander, 1997; Chan, 1997).
- Considerable confusion exists within the region concerning the difference between *non-governmental, non-profit, not-for-profit, private voluntary, the third sector* and even *charitable* organizations (Fernando & Heston, 1997; Yamamoto, 1995).
- The social development potential of organized *philanthropy* generally is not well understood in the region (Leung & Nann, 1995).
- Clarity concerning the unique contribution of an *Independent Sector* vis-à-vis that of the State as a co-partner in promoting national and regional development is not widespread in the region. Instead, many foundations and governmental ministries appear to engage in competition with each other over jurisdictional, resource and a variety of public support issues in which both entities are involved.
- The nature of *foundations* as grant-making fiduciary organizations that support the public benefit activities of other nonprofit organizations is understood in only the most rarified academic and policy-making circles in East Asia.
- Foundations in China, even those well known and highly effective foundations, exist on only the most tenuous of legal grounds (Silk, 1999). On the other hand, more than

1,000 foundations are now registered in the country and some of these foundations are beginning to achieve a high degree of independence from their original government sponsors (Estes, 1998a).

- A substantial number of foundations in East Asian foundations operate under a "cloak of secrecy" or, at least, their decision-making processes and activities are far removed from public scrutiny.
  - This pattern is especially pronounced in Hong Kong SAR, China and Korea where no public reporting requirements are imposed on foundations despite their tax exempt status.
  - Two important exceptions to this general pattern of foundation secrecy characterizes the Community Chest of Hong Kong (1999) and the Hong Kong Jockey Club (1999). Both organizations observe strict financial transparency policies relating to their income and grant-making activities. Both organizations also publish annual reports that are distributed freely both in print and via internet to interested members of the public.
- The majority of Japanese and Korean foundations are corporate foundations that have no protected endowments of their own (Jung, 1991; London, 1991). The absence of separately denominated endowments renders the charitable activities of these foundations susceptible not only to market but to changes in perceived corporate self interests. Neither source of instability, in turn, contributes to an atmosphere of confidence between donors and the organizations that turn to them for assistance.
- Though most numerous and substantially endowed, in fact, the majority of Taiwan's foundations are "operating" rather than as "grant-making" foundations. As such, they do not perceive themselves as serious part-

ners with governments and other civil society groups in promoting either a national or regional social development agenda.

## CONCLUSIONS

Overall, foundations in several of the region's societies function as *instruments of State policy*. Certainly, this is the case in China where foundations emerged as a direct response to the country's decision to shrink the size of its national government in selected sectors (Estes, 1998a; Shue, 1997). Foundations, along with other types of social organizations, were fostered as alternative institutions for performing the functions previously carried out by China's extensive, and expensive, network of public bureaucracies. In Japan and Korea foundations function more as *instruments of corporate policy*. In Taiwan and Hong Kong SAR, foundations clearly reflect the funding preferences of their founding benefactors and, as such, function as instruments of *personal rather than public policy*.

From a theoretical perspective, considerably more work needs to be done in sorting out the underlying social, political and economic dynamics taking place in East Asian social development. The implications of these changes for understanding the region's shifting public-private partnership is especially critical, especially as the region's societies seek to have a greater impact on the global political and economic environments. Many of the region's charitable foundations possess the financial resources to become partners with government in promoting national and regional development objectives; comparatively few, though, have committed themselves to such an agenda. The absence of clear political and legal "space" within which newly emerging social institutions in East Asia can operate severely impedes the adoption of a broader social development perspective for many of the region's foundations.

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