

**Community-based Philanthropic Organizations in
East Asian Urban Communities¹**

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Executive Summary

One of the fastest growing forms of community-based philanthropic organizations across the globe in the past few decades is the community foundation, a grant-making public charity that gets support from diverse funding sources and in return provides grants to organizations who serve a defined geographic area. From 1990 to 2008, the number of community foundations worldwide had grown from 440 to 1,400 (Sacks, 2008).

Previous research, mostly based on American institutions, has analyzed the capacity for community-based philanthropic organizations to bring public administrators, donors, service providers, and citizen groups together to identify the most pressing issues facing communities and formulate policies to collectively address these challenges (Graddy and Wang, 2009; Lowe, 2006; Morgan, 2007, Carman, 2001; Hammack, 1989). In this study, we examine the roles of community foundations in urban East Asian communities, compare to their counterparts in the United States, and seek to understand the institutional context, such as state-nonprofit relations, legal framework, and philanthropic traditions, that promote or hinder the capacity of community foundations to promote decentralized problem solving.

Based on a comparative case study of the Osaka Community Foundation in Japan, the Beautiful Foundation in South Korea, and the Shanghai Charity Foundation in China, we develop hypotheses around three main questions: (1) what are the primary goals of community-based philanthropic organizations in

urban Asian communities; (2) what are the observed benefits of these institutions to their communities; and (3) what role do financing mechanisms play in the behavior of these organizations.

The study shows that all three foundations focus on cultivating a philanthropic culture and addressing community needs. The Osaka Community mainly addresses community needs through grant-making, which is similar to the role of community foundations in the United States. The Beautiful Foundation supports grassroots organizations and the public benefit NGOs in South Korea through grantmaking and also directly provides funds to help distressed populations. The Shanghai Charity Foundation mainly addresses pressing social needs in the community via direct services due to the lack of well-established NGOs in the community.

The perceived role and impact of community-based philanthropic organizations in these countries are often constrained or strengthened by the government and the country's legal context. In South Korea, foundation missions often reflect government-determined goals. The lack of favorable tax policy, transparency, and accountability have triggered public skepticism of foundations and hindered growth. The Beautiful Foundation has implemented a self-imposed accountability mechanism to improve the public's perception of foundations. In China, most foundations are either government-organized or have close ties to the government. Foundations enjoy favorable taxes and are required to have their financial reports audited and disclosed to the public, although few people may understand the report. The Shanghai Charity

Foundation was originally created by the Shanghai municipal government to raise funds for services not covered by the government. In Japan, the Osaka Community Foundation received original operational funds from the local and regional government and they work closely with the government in serving the local needs.

In terms of financial support, the Beautiful Foundation receives 60% of its donation from corporations and 40% from individual donors, but no government funding. It also receives limited Diaspora giving. The Osaka Community Foundation is very similar to the Beautiful Foundation. In contrast, the Shanghai Charity Foundation receives a small percentage of its funding from government, and the rest from domestic as well as international corporations and individual donors. All three foundations set up donor advised funds and involve donors in making fund-distribution decisions. The Beautiful Foundation and the Shanghai Charity Foundation have higher payout ratios than their American counterparts, while the Osaka Community Foundation resembles the American counterparts.

Based on this comparative study, we posit that community foundations with a shorter history are more likely to focus on developing a philanthropic culture. Additionally, community foundations in a country/region with less-developed NGOs are more engaged in direct service provision while maintaining less focus on grantmaking. The lack of legally-required accountability mechanisms influences the public's perception of community foundations' autonomy and impact in the community.

Community-based philanthropic organizations have begun to play an increasingly important role in serving the needs of communities throughout the world. One such organization is the community foundation, a grant-making public charity that gets support from diverse funding sources and in return provides grants to organizations who serve a defined geographic area. It is one of the fastest growing forms of organized philanthropy across the globe. In 1990, less than 440 community foundations were recorded worldwide. By 2008, this number had grown to over 1400 (Sacks, 2008).

This tremendous growth in community-based philanthropic organizations has provided new opportunities for community-based social change. These activities can take a variety of forms to foster civic engagement, and to connect with grassroots organizations that serve the community. Research has analyzed the capacity for community-based philanthropic organizations to bring public administrators, donors, service providers, and citizen groups together to identify the most pressing issues facing communities and formulate policies to collectively address these challenges. Examples of community foundations leading complex community and economic development processes offer a glimpse into the potential for this type of engagement (Morgan, 2007). Much of the research on these activities, however, has been based on American organizations (Graddy and Wang, 2009; Lowe, 2006; Carman, 2001; Hammack, 1989).

It is not clear whether community foundations in different countries with different philanthropic traditions and institutional settings engage in similar activities. The role of community-based philanthropic organizations in Asia has been largely ignored. The institutional form is relatively new in most Asian countries. The oldest registered community foundation is the Osaka Community Foundation, established in Japan in 1991. The Beautiful Foundation in South Korea was established in 2000. Strictly speaking, China, Taiwan, and Hong Kong don't have community foundations as defined by existing research, but there are foundations that focus their activities on a particular geographic area or communities. For example, the Shanghai Charity Foundation, established in 1994, focuses on Shanghai community/municipality. We seek to understand the role these organizations have begun to play in their communities and how that role differs from the American experience.

The community foundation offers important advantages as an institutional form. They provide an institutional context for decentralized decision making at the community level. Their structure promotes the development of community resources and capacity for problem solving, and the development of social capital. The perceived value of these structural advantages presumably explains part of their growth.

Table 1 demonstrates the worldwide growth in the number of community foundations over the past decade. It also reveals considerable cross-national and regional variation in that growth. Of particular note for our purposes are the data on Asia. Although the region has enjoyed a very large percentage

growth in this philanthropic form, its incidence in the East Asian countries of Japan and Korea is unchanged. China has no organizations included in this study. Why then is this philanthropic structure relatively less attractive to East Asian societies?

Table 1. Number of Community Foundations, Worldwide

<i>Area</i>	<i>2000</i>	<i>2004</i>	<i>2008</i>	<i>% change 2000-2008</i>
Americas	720	867	965	34%
Europe	98	209	406	314%
Africa	7	11	15	114%
Asia/Pacific	10	33	55	450%
Japan	2	2	2	
Korea	1	1	1	
<i>Total</i>	<i>835</i>	<i>1120</i>	<i>1441</i>	<i>73%</i>

Source: Calculated based on information provided in Sacks (2004, 2008)

Our focus is on the East Asian countries and regions of China, Hong Kong, Taiwan, Japan, and South Korea. The East Asia region² houses 23% of the world's population, half of whom live in urban areas (Population Reference Bureau, 2008). The area is thus an important one to study, and its relative cultural homogeneity allows us to focus on the contribution of other factors in explaining the role of community-based philanthropic organizations in the region.

There are several possible explanations for the relative absence of community foundations in East Asia. For institutional philanthropy to flourish, a society must have both the capacity and inclination to support it. Private

² Countries included in the East Asia region are China, Japan, North and South Korea, Mongolia, and Taiwan.

capital accumulation is a fundamental requirement for philanthropy. Over the past few decades the phenomenal economic growth of East Asian countries suggests that this precondition is being met.

Public understanding of and support for institutional philanthropy may therefore be a more decisive factor. Foundations are relatively new institutions to East Asia. The oldest is an operating³ foundation, Taiwan's Chinese Children's Fund, founded in 1950 (Estes, 2000). Today the importance in the region of operating foundations over grant-making ones, and the presence of "government-linked" foundations (Estes, 2000) may contribute to a lack of understanding by the public of grant-making charities. East Asian societies may also be less inclined to support private philanthropy. Baron (1997) argues that the legitimate scope for private social action is much more limited in these countries than in many others. The State is expected to provide all basic services. Moreover, private foundations and other non-governmental or nonprofit organizations (NGOs) do not enjoy the presumption of positive intent they do in the United States. Many are viewed with suspicion as to their motives and intentions (Baron, 1997).⁴ More broadly, there may be a preference in East Asian societies for centralized social welfare decision making. Such a preference would lessen the value of community foundations and their capacity to promote decentralized problem solving.

³ Operating foundations use the bulk of their resources to directly provide services or run programs, rather than making grants to outside organizations.

⁴ Such suspicions about the intentions of philanthropic institutions were also found in a recent report on Mexican community foundations (Teamworks, 2009).

In addition, there may be legal restrictions on the formation of these institutions in some countries, and/or a less advantaged environment for donors. For example, Baron (1997) notes that the restrictive tax code in Japan is a commonly cited obstacle to the development of a strong domestic philanthropic sector. This legal context, in addition to impacting the preferences of local donors, may also impact the actions of international donors. In many countries, external organizations - international organizations and foundations- have played an important role in the spread of community foundations. For example, the Ford Foundation invested in the development of foundations in India and Bangladesh (Ford Foundation, 2006). Their decision to invest in specific countries may depend on the prevailing legal context.

In this study, we seek to answer the broad question of whether the few community foundations operating in East Asia play different roles than those operating in the United States. Our initial exploration will be based on a comparative case study of three urban community foundations -- in Shanghai, China (Shanghai Charity Foundation), in Osaka, Japan (Osaka Community Foundation), and in Seoul, Korea (The Beautiful Foundation). We focus on the major activities of these foundations and examine the impacts of those activities on their communities. We will also put the comparison into a broad institutional context, including the state-nonprofit sector relationship, community autonomy, and the civic tradition.

We will use these case studies to develop hypotheses around several questions for future exploration. First, **what are the primary goals of**

community-based philanthropic organizations in urban Asian communities and does this differ from their counterparts in other countries? Specifically, we consider 3 alternative foci for these organizations - the development of community social capital and problem-solving capacity, direct service delivery, or the development of a philanthropic tradition in the community. Given the presumed lack of support for institutional philanthropy in these countries, we expect to see greater interest in the development of a philanthropic tradition than in countries where this tradition is better established. We may also see a greater role in direct service delivery for these organizations. Nonprofit service providers are presumably less plentiful in these countries and so community-based philanthropic organizations may need to deliver some services themselves to achieve their mission. Interestingly, most Mexican community foundations operate as hybrids (Teamworks, 2009), both providing programs directly and making grants. Asian community foundations may do so as well, especially if they were founded in reaction to a natural disaster. More broadly, how are the missions of community foundations impacted by the country's civic tradition, its legal and regulatory context, the size and strength on its nonprofit sector, and by exogenous shock to the community?

Second, **what are the observed benefits of these institutions to their communities?** Are their activities and thus impact narrowly focused (e.g., disaster relief), or are the impacts broader with demonstrated increases in social capital (e.g., strengthened ties among various sectors or actors in the community) or problem-solving capacity in multiple arenas. What has been the

role of donors on the breadth or types of community impact? How are these impacts affected by the country's legal or cultural context? How do accountability mechanisms (e.g., disclosure rules) affect the activities and community impact of these organizations? And what is the role of government in ensuring accountability and transparency of operations?

Finally, **what role do financing mechanisms play in the behavior of these organizations?** Some Asian foundations, especially in the environmental arena, are endowed with public funds or a mixture of public and private funds, often with the use of innovative financing structures (Baron, 1997). Do we observe public funding of community-based foundations in East Asia? If so, what are the implications for their mission and their behavior? Are the investment mechanisms, financing constraints, or payout requirements different for Asian foundations than those in other countries? What are the expected implications of these differences?

The results of this study should generate more precise hypotheses about the expected behavior of East Asian community foundations around all 3 of these broad sets of questions, and will contribute to our understanding of the global role of community based philanthropic organizations. We turn now to a description of our two case studies, and an analysis of our findings.

Country Context

Our case study compares community-based philanthropic organizations operating in Korea and China. We begin with a brief introduction to the socio-

economic and institutional context of each country. We expect this context to shape the formation, support, and activities of community foundations.

Korea

South Korea, officially the Republic of Korea, has a population of 49 million, 82% of whom live in urban areas. Its Gross National Income (GNI) per capita at purchasing power parity in 2008 is \$28,120, which ranks the 26th in the world (Population Reference Bureau, 2008). It was reclassified by the World Bank as a “mature market economy” in 1997 (Estes, 2000). Two years later the country’s first community foundation was proposed as a mechanism for formalizing a collectivist philanthropic culture and addressing the growing wealth disparities developing alongside wealth accumulation. The introduction of the community foundation model was a product of the economic and political development that has defined Korea (and other East Asian countries) over the last 30 years, culminating in what some have termed the 1990’s “era of civil society” (Asia Pacific Philanthropy Consortium, 2001).

The call for non-governmental coordination and funding for social programs has been amplified in Korea by economic crisis, public budget cuts, and devolution in much the same way that ideological changes, fiscal challenges, and welfare policy reform in the United States enhanced the role of non-governmental institutions in local service delivery. The NGO Support Act was passed by the Korean government in 2000 to provide a formal legal

structure for building the capacity of the civil society movement in order to address these developments (Kim, 2002).

For over 40 years, foundations have been utilized to address societal deficiencies in Korea. The Samsung Foundation of Culture began with significant influence from the government in 1965 to improve social welfare, child care, and education (Estes, 2000). Numerous other foundations were established in the decades that followed with similar missions to accomplish government-determined goals such as education and research. The link between foundation and government goals remains strong today, making it difficult to distinguish philanthropic and political intent.

Corporations have played an equally significant role in determining foundation behavior. As recently as 2000, corporate-linked foundations comprised 80% of the total number of foundations in the country (Estes, 2000). The potential for foundations to lead a decentralized problem-solving process in Korea has been limited by the dissonance between corporate and nonprofit philanthropic goals. The philanthropic motives of corporate-linked foundations are characterized by a different metric for demonstrating success.

A well-known history of government and corporate influence has made it difficult for foundations to distinguish their activities in the public's eye. Korean foundations seeking the support of individual donors have had to place emphasis on publicizing the potential for empowering local communities to solve problems independently through civic engagement. Public adoption of

this idea has been challenged by an historical emphasis on centralized approaches.

A lack of favorable tax policy, transparency, and accountability has compounded public skepticism of foundations and hindered growth. Current tax laws provide tax deductions for individuals making gifts to nonprofit organizations and foundations. These deductions, however, are limited to nonprofit organizations with a scope of activities deemed eligible by the government (Asia Pacific Philanthropy Consortium, 2001). Those receiving eligible gifts are not required to offer to the public extensive transparency about gifts received, how money is allocated, or how results are measured (Kim, 2003). The legal framework for foundations does little to mitigate concerns about a legitimate leadership role in civil society and provides limited incentives for potential donors.

The opportunity to counter this tradition and empower future growth of the community foundation model may be improving due to the efforts of other non-governmental organizations in recent years. The nonprofit sector has been recognized as a leader of initiatives to promote human rights, democracy, and protection against government and corporate abuse (Asia Pacific Philanthropy Consortium, 2001). A growing collaborative environment, stimulated out of necessity as a result of the economic crisis of 1997, may serve as an impetus for the realization of philanthropic potential. Community foundations, like the Beautiful Foundation, have also gone to great lengths to provide self-imposed transparency to the public in an effort to demonstrate accountability. Public

perception and support of these organizations may be determined by the effectiveness in both endeavors.

China

The People's Republic of China (China) is the most populated country in the world. Forty-six percent of its 1.3 billion people live in urban areas. China's GNI per capita at purchasing power parity in 2008 was \$6,020, which ranks the 95th in the world (Population Reference Bureau, 2008). As China's importance in the world economy continues to grow, so too does its philanthropic sector. A recent study by the Chinese Academy of Social Science indicated that charities in China raised \$15.2 billion in 2008 - three times the amount raised in 2007 (Wilhelm, 2009). The report also stated that gifts from individuals outpaced businesses for the first time. Both announcements support the assertion that there is a significant potential for growth in Chinese philanthropy. A closer examination, however, raises questions about institutional variables that limit optimism about the breadth of philanthropic development as it exists today.

The escalation of charitable giving in 2008 has been attributed to the \$11 billion raised by relief efforts after the Sichuan earthquake. Individual donors represented 54% of the disaster response (Makinen, 2009). Little evidence exists to support the assumption that this level of giving will be sustained through non-disaster fundraising. Still, the willingness of Chinese

donors to respond with previously unparalleled giving encourages future analysis of philanthropic capacity in the region.

The corporate sector is one such area for potential growth. The disaster response brought corporate giving to the forefront of public interest. Chinese media began indentifying “stingy Iron Roosters” in the aftermath of the earthquake (Makinen, 2009). For the first time, the philanthropic behavior of corporate leaders was being considered by the public. This exposure has led some to analyze their corporate giving and consider new approaches to philanthropy such as the establishment of their own corporate foundations. Most currently conduct their grantmaking through other foundations.

Corporate and individual gifts may be directed to three types of nongovernmental organizations. The most common charitable form in China is the government-organized NGO or GONGO (Estes, 1998). These organizations developed out of the Four Modernizations program introduced by Deng Xiaoping in the 1980s (Estes, 1998). GONGOs serve as quasi-governmental organizations structured to coordinate services at the local level. While they offer preferred tax advantages to donors, they are also viewed as slow moving bureaucracies with limited autonomy.

A growing number of nongovernmental organizations are developing outside the GONGO structure. China has introduced a complex registration process that has recognized nearly 54,000 nonprofit organizations (Tian, 2009). Sponsorship by a government agency remains a prerequisite for registration. These organizations are open to additional local support and limited

international participation and have begun to separate organizational decision making from government control (Estes, 2000).

A system of grass-roots organizations existing as unregistered entities makes up the final group of charity organizations. These organizations and their donors receive no tax benefits, but have established a widespread structure for informally coordinating civil society.

The rapid pace of change in China has created expectations for reform that may mitigate the constraints currently slowing the development of all three types of nongovernmental organizations. Reports suggest that a new charity law that will broaden the definition of acceptable philanthropic behavior is expected within the next two years (Tian, 2009). Researchers analyzing philanthropy in China expect these regulations to provide a new set of variables for assessing the capacity of the nongovernmental sector.

Public expectations of centralized coordination of local problem solving will continue until evidence of change can be demonstrated. A history of foundations as operating nonprofit organizations managing the delivery of government priorities has done little to introduce civil society to the public. Public understanding and support of an autonomous institutional philanthropy structure is limited despite a vast accumulation of wealth in China. The expectation that the central government will maintain authority over decision making inhibits adoption of this new structure as a preferred source of support. Foundations functioning within the current system will continue to play a role

in educating the public about philanthropy and gradually build capacity around the civil society movement.

Japan

Japan has a population of 127.7 million, 48% of whom live in urban areas. Its Gross National Income (GNI) per capita at purchasing power parity in 2008 is \$35,220, which ranks the 19th in the world (Population Reference Bureau, 2008). It is one of the most developed industrial countries in Asia.

In Japan, volunteering and nonprofit sector was used to be considered a western and foreign idea. The 1995 Kobe Earthquake changed people's perception of the role of government and the nonprofit sector. With local and national governments' failure of rapid response to the disaster, citizen and voluntary organizations played a lead role in rescuing those trapped in collapsed houses, providing medical services and shelter, distributing good, cleaning debris, and providing psychological support for survivors. Within weeks after the Kobe Earthquake, the Japanese Diet (national parliament) began initiating new legislation to support volunteering and the development of nonprofit sector. Before 1998, when Japanese Diet passed the Nonprofit Organization Law, there were no nonprofit organizations in Japan, at least technically speaking. However, there were about 230,000 incorporated private organizations, such as public benefit corporations, school corporations, social welfare corporations, readjustment relief corporations, and religious corporations, doing nonprofit work. These organizations are more or less established bigger organizations with strong government control. In addition,

there were an estimated one million unincorporated groups engage in nonprofit work in Japan. “Public Benefit Corporations” is one type of organization that is closest to the American “nonprofit organizations. They need permission to incorporate from a government agency with jurisdiction over their activity area and they are subject to minimum asset requirement, usually more than 100 million yen, to incorporate. Retired government officials often work as management personnel for these organizations. The 1998 NPO law has enabled small civic groups to incorporate as there is no minimum asset requirement for incorporation. However, the law provides no tax deduction for those contributing to nonprofits. The lack of favorable tax policy and transparency has hindered the nonprofit growth. From December 2008, the Japanese government started a drastic reform of public corporations. Public corporation will be classified as authorized public corporation and general public corporation. Individual donors can enjoy tax-reduction when donate to authorized public corporation.

Foundation has existed for over 50 years in Japan. They have helped government advance the social welfare in this country and worldwide. The Nippon Foundation, established in 1962, is the region’s second oldest foundation. Modeled after the Ford and Rockefeller foundation, the Nippon Foundation seeks to promote the alleviation of human suffering, the advancement of human welfare, and world peace (Estes, 2000). Compared to other Eastern Asian countries, Japan has the largest number of foundations and the majority of its foundations are either corporate or government-linked

foundations. Corporations have played a significant role in Japanese philanthropy. The good economic environment in the late 80s has provided an opportunity for the establishment and growth of community foundations in Japan. The Kobe Earthquake and the flourish of nonprofit sector in Japan afterwards have further enabled community-based philanthropic organizations to collaborate with government agencies, NPOs, and individuals to advance local social welfare.

Case Summaries

The case summaries are based on information obtained from interviews with a senior manager in each foundation during May, 2009-June 2010.

Supplemental information was obtained from the foundation's annual reports, published newsletters and materials, website, and available financial reports.

The interview instrument is available upon request.

The Beautiful Foundation

The Beautiful Foundation was established in 2000 by small group of donors who wished to accomplish two main goals. First, the founders deliberately patterned the organization after North American community foundations in hopes of building a structure to support the cultivation of civil society in Korea. The economic crisis of 1997 left much of Korea skeptical of the government's ability to respond to expanding local needs with agility. A national focus on civil society developed from the belief that a philanthropic culture may empower local communities to counter the wealth disparities that developed during rapid economic expansion.

The foundation leaders believed then, as they do today, that they have a role in educating the public on the potential for philanthropy to play a significant role in addressing local problems. Setting out to foster a philanthropic culture was a pillar of the foundation's mission and an important step in cultivating a portfolio of potential donors.

Second, despite an established culture of giving within the Korean community, little structure existed to institutionalize the financial support of civic engagement. The founders responded by each committing to regularly donate a small amount of money to provide an alternative source of funding for nonprofit organizations having difficulties accessing government and corporate donations. The original pooled fund seeded efforts to generate significant revenues to support programs. The humble beginnings of the foundation's fundraising efforts have evolved into a highly sophisticated international development operation.

A review of the foundation's history, as presented on the website, points to a dominant focus on fundraising over the course of the first nine years. Each year of operation is highlighted by the major fundraising events, campaigns, and donor advised funds established to increase services. This focus seems to suggest that the goals of the foundation have been influenced significantly by a necessity to raise funds. By the end of 2007, the Beautiful Foundation's annual income reached \$11 million, which is an 8% increase from that of the year 2006 (The Beautiful Foundation, 2007).

The organization is in the midst of formally moving from a source of information about the potential for civil society to an organization focused more directly on demonstrating programmatic outcomes. This transition has placed more emphasis on service delivery in order to provide their ever-expanding number of corporate and individual donors with measurable data on results. The shift also allows the organization to distinguish itself from other foundations.

The foundation may find itself progressing through a life-cycle model that begins with development of a philanthropic tradition (or philanthropic understanding), a transition to a focus on service delivery, and finally reaching a level of sophistication that empowers it to lead capacity-building efforts at the local level (Graddy and Morgan, 2006).

An understanding of the foundation's community impact requires a determination of whether or not a dominant focus on fundraising has enabled the foundation to pursue a deliberate path of expansion, or simply made the organization a mechanism to accomplish donor wishes. There is a clearly-stated desire to serve both donors and communities. They hope to continue the cultivation of donor relationships while supporting sustainability in Korean communities. However, the donor services model brings into question how effectively the foundation may guide support of capacity building in communities.

This donor services model is not unlike many community foundations in the United States. Many U.S. foundations focus on donors until they are able to

build an endowment (Graddy and Morgan, 2006). An endowment enables foundations to utilize discretionary funds to strategically plan and support initiatives that build community capacity. The Beautiful Foundation reported that less than 10% of all donations are non-donor advised fund gifts. All operations and programs at the foundation are funded by annual donor advised fund fees. The complete lack of organizational endowment limits the staff's ability to build discretionary funds and makes the organization vulnerable to shifts in donor interests (Estes, 2000).

This structure places great reliance on the foundation's ability to work collaboratively with donors to direct their funds to areas of greatest need. While the donors do not control their own funds, they do work with the foundation to designate recipients. Important community work has been initiated through this process such as the establishment of a micro-credit program for single mothers. These funds have also enabled the foundation to respond rapidly to current events. For example, a job training program was established to help people find employment when the latest economic recession led to mass layoffs in the country.

Donor demographics may influence designation of these gifts. The typical donor to the foundation is 30-40 years old, university-educated, and very progressive. Half are men and half are women. These demographics suggest this donor base may be amenable to suggestions from foundation staff about grant focus.

Donor influence also serves as an important determinant of the geographic focus of gifts. The foundation reports a vast majority of their donors reside in Seoul. A concentration of donors in the urban core brings into question the foundation's commitment to serving rural communities across the country (The Beautiful Foundation serves all of Korea). They attempt to mitigate this concern by working with donors to direct grants to parts of the country outside Seoul, and indeed many Seoul residents are from remote areas, with a connection to rural settings.

The foundation has minimized additional outside influence by a policy that rejects all government funding. In addition to relying solely on individual (40%) and corporate (60%) donations, the foundation does not include government officials on the board. Rather, the board is made up of major donors with strong reputations, influence, and relevant professional experience. To date, no board seats are occupied by Diaspora donors.

The foundation has recently announced the opening of an office in the United States to increase support from Diaspora donors. They view this population, along with a growing base of donors across Korea, as an important potential source of expansion for the foundation. An increase in funds from these groups will place more emphasis on the foundation-donor relationship to ensure that long distance financial support is directed to areas of greatest need at the local level. The foundation's ultimate effectiveness in achieving its goals may depend on its mastery of this delicate process.

The Shanghai Charity Foundation

The Shanghai Charity Foundation was established by government officials as a public charity in 1994 to promote a new institutional structure for harnessing the humanitarian spirit of the people of Shanghai. The transformation of the economy from planned to market-based exacerbated income disparities. A newly identified under-served population required additional services that the central and municipal governments were no longer able to provide. Much like the Beautiful Foundation, Shanghai hoped to formalize a commitment to helping those in need.

The foundation has maintained a consistent focus on raising money to provide services to support the elderly, children, education, and the needy. The development of a philanthropic culture was necessary to secure a level of support that would fund programs. The founders realized that the concept of philanthropy was less developed in Shanghai. Philanthropic promotion was required, and remains a necessity if the organization is to realize its goals.

The development of a philanthropic tradition has always run congruently with a commitment to service delivery. The lack of a sufficient number of NGOs in the community required the foundation to not only support, but also operate the programs they created. The foundation has thus attempted to identify developing issues and then create programs to address them. Many of these programs have taken over former government functions.

Building capacity in the region and empowering civic engagement is conspicuously absent in most of the foundation literature. Rather, the

dominant focus is on publicizing philanthropy and on service delivery. These foci may provide important indicators of the foundation's ability to lead change versus responding to existing problems. The difference for the community may be an emphasis on problem solving rather than providing temporary aid.

Progress has been made in educating the public. A diverse collection of implemented programs have spread the foundation's name and mission broadly. Local newspapers and media have also been utilized to introduce the philanthropic form. One such article announcing the formation of the foundation landed the very first individual gift. Progress is as demonstrated by a formalized structure for acknowledgement. The first Bluebook report on philanthropy was published by the Chinese Academy of Social Sciences in 2008. This report confirmed growing levels of donations in China. It also suggested that the internet and media would continue to serve as central sources of information dissemination about philanthropy.

Programs offered by the foundation have impacted the community. The focus of programs has largely been on issues such as care of the elderly without children to support them, care of the disabled, widowers, and orphans. These programs are designed to provide consistent services to address ongoing and developing needs.

Disaster relief has also been important in foundation's recent efforts. The enormous response to the Sichuan Earthquake required a change in focus to accommodate passing money through the foundation to areas hit hardest by the devastation. The lack of capacity in the service delivery field in China and

a hesitance to allow international aid was evident as groups like the foundation were forced to implement immediate programs to respond to the crisis.

The expansion of this roster of programs has largely been determined by donations secured through donor advised funds. Donors assume an active role in designating gifts. Each of the 171 donor advised funds are managed by a committee of at least three people. The Chair of each committee is the donor.

Corporations make up a majority of the donor advised fund contributors. Former state-owned corporations comprise a large percentage of this group. The foundation maintains gift acceptance policies stipulating that donations falling out of line with the organization's mission will not be accepted. No examples were offered however of this having occurred.

Alignment of corporate gifts and the mission of the organization may be determined by the process of solicitation. The foundation's board is made up of 25 members with government ties. Each is selected based on reputation, professional experience, influence, networking power, and the ability to raise money. The affiliation of government-connected board members positions each solicitation to test a corporation's desire to maintain a positive relationship with the government. Requests are rarely turned down when a government official calls. A cultural emphasis on saving face leads most corporate executives to acquiesce to requests.

The role of the central government in the foundation's founding set the stage for a delicate dance that has existed throughout the foundation's history.

The board of directors moved away from government influence for a time when

seats were awarded to anyone making a sizable gift. A 2004 law was passed by the government to limit board membership to 25. This legislation facilitated the transition of the board to one comprised of people with influence.

The foundation is required by statute to award 70% of the gifts received each year. They may use the remaining funds to build discretionary capacity. Management of these funds over time may serve to empower the foundation's assertion of independence. These funds may also protect the foundation against the potential withdrawal of corporate gifts if an anticipated new charity law makes corporate foundations easier to establish.

The Shanghai Charity Foundation continues to mature in much the same way China is evolving. The rapid process of change in the country is met by institutionalized hesitance to move too quickly. Old systems of operating continue as a matter of survival while inroads are made to create a sustainable model prepared to answer the challenges that characterize much of the transition period.

The Osaka Community Foundation

The Osaka Community Foundation (OCF), the first community foundation in Japan, was established in 1991 under a permit from the Ministry of International Trade and Industry, the present Ministry of Economy, Trade and Industry. At the time, Japan was in the midst of "bubble economy". Good business and high earnings prompted many large business corporations to establish their own foundations to enhance philanthropic activities. For medium or small business corporations, however, the high initial expense and

the following administrative cost made it hard to establish their own corporate foundations. Keizo Saji, the Chairman of the Osaka Chamber of Commerce and Industry (OCCI) then, proposed establishing a community foundation in Osaka, mainly serve Osaka Prefecture and its adjacent area. The OOCI contributed 10 million yen⁵ as an initial administrative fund to start the Osaka Community Foundation and later the Osaka City and Prefecture Governments donated 25 million yen each as operational funds in 1992.

Since its inception, the OCF has strategically focused on connecting donors' interests with the needs of the community. On the donor side, the foundation makes full use of citizens' and corporations' will and desire for social welfare to promote a philanthropic environment in Japan. According to the interviewee, Osaka "used to be a town with the vitality of the private sector" and has an established culture of giving. Since 400 years ago, "a lot of local schools, universities, libraries, museums, bridges, concert halls etc have been constructed and donated not by government but by successful merchants" and this vitality remains today. The OCF's typical donors are either middle or small size corporations who wish to contribute to philanthropic activities and get closely involved in the grant making process or wealthy individual donors who are interested in various community issues, such as health research, education and environment, because of their personal experiences or beliefs. Strong philanthropic tradition and a large donor base have contributed to the steady growth of the foundation. In the twenty years of its existence, the OCF

⁵ 1 dollar equals about 92 yen.

has received 2.3 billion yen in giving. The total number of funds donated has reached 202 in March 2010 and their amount range from 10,000 yen to 381 million yen. On the community needs side, the foundation contributes to nonprofit organizations, groups, researchers, and students through their granting making activities. The foundation makes grants in the areas of medical research and service, education, arts and culture, aids for developing countries, environmental preservation, community development, social welfare and scholarships. Up to April 2010, the foundation has made 1,388 grants in the amount of 758 million yen.

Despite the ups and downs of the Japanese economy since the organization's establishment, the strategic focus of the OCF—fostering philanthropic environment and addressing local needs—has not changed significantly. The seven-member board, which is composed of 5 foundation executives and 2 researchers, has upheld the consistency and transparency of all OCF decisions. The board member serves a two-year term. Although no formal training on the role of board members are provided, the board members' knowledge and experience for foundation operation and government regulation allow them to serve the foundation well. Unlike board members in the United States, the OCF board members are not required to donate or solicit donation for the organization.

In the past twenty years, the OCF has balanced donor service and community service. According to the interviewee, 20% of staff time is devoted to donor service, 30% to serve NPOs and NGOs in the community, 20% for

government relations and 30% for other general administrative tasks. In terms of donor service, open communications between donors and the foundation have deepened mutual trust and collaboration. Newsletters and foundation home websites are used to keep connecting with donors. Since corporate donors often donate to the foundation to promote their corporate image or advertise themselves while individual donors contribute with a more altruistic motivation, the foundation tends to consider individual donors the most primal strategic partners in the community. Cultivating relationships with individual donors has proved to be a right strategy for the OCF since donations and contributions from corporations have decreased due to the recent economic downturn in Japan, but donations from individuals do not change at all. About 40% of the foundation's income comes from individual donors and 60% from corporations. Most of donors are local residents and no Diaspora donors. Although the OCF does not get grants from the government, the foundation staff still needs to work closely with government on many community-related issues.

As mentioned earlier, an endowment enables foundations to utilize unrestricted funds to strategically plan and support initiatives that build community capacity. Most of the OCF's individual grant-making funds are restricted funds, including 131 field of interest funds, 12 designated funds and 15 donor-advised funds. Only 27 grant-making funds are unrestricted funds. The percentage of discretionary or unrestricted funds has increased gradually and slowly over the years. In 2010, the foundation made grants from 13

discretionary funds (out of the total 57 funds or 23%). In terms of amount, 2.8 million yen was contributed from discretionary funds, which is 2.5% of the total 114.7 million grants. Very few donors set up discretionary funds at the foundation since most of donors have their own wish or interests in certain grant-making field. Most of the foundation's discretionary funds were originally restricted funds and later become discretionary funds either when the balance of non-permanent fund becomes less than 50,000 yen or when donor passed away. In both cases, funds become discretionary funds through the decision of board of directors. The foundation's discretionary fund has fluctuated with the growth of its endowments and the current low interest rate in Japan has made it hard for the foundation grant-making.

Conclusion

As one of the fastest growing forms of institutional philanthropy in the last two decades, community foundations have begun to play an increasingly important role in transforming communities across the globe. They foster the development of philanthropic culture, bridge donors' charitable interests with local needs, create opportunities for civic engagement, and promote inter-organizational collaborations to address pressing community issues. Their worldwide development has encouraged decentralized decision making and service provision at the community level.

In this study, we explore the different roles community foundations play in East Asian countries/regions and compare these to the role of these

organizations in the United States. This initial analysis is based on a comparative study of the Shanghai Charity Foundation in China, the Beautiful Foundation in South Korea, and the Osaka Community Foundation in Japan. We examined the primary goals or foci of these foundations, the observed benefits of these institutions to their communities, and the role that financial mechanisms play in the behavior of these organizations. A summary of the comparison is presented in Table 2.

<<Insert Table 2 Here>>

All three foundations focus on cultivating a philanthropic culture and addressing community needs. The Osaka Community Foundation mainly address community needs through grant-making, which is similar to the role of community foundations in the United States, while the Beautiful Foundation and the Shanghai Charity Foundation address pressing social needs in the community via direct services.

The Beautiful Foundation believes that a philanthropic culture will help local nonprofits build capacity and thus empower local communities to alleviate the negative consequences of wealth disparities. A pillar of its mission is to educate the public on the importance of philanthropy. As the foundation has grown stronger financially, it has also started to emphasize program development, which will allow the foundation to demonstrate direct community impact. The programs offered by the Beautiful Foundation reflect a hybrid model, which is similar to most Mexican community foundations (Teamworks, 2009). The foundation maintains a focus on supporting grassroots

organizations and the public benefit NGOs in South Korea through grantmaking programs. It also directly provides funds to help distressed populations, such as the elderly, disabled, children, and women.

The Shanghai Charity Foundation has implemented a similar two-pronged strategy. The foundation recognizes the importance of an established philanthropic culture to its development. It has launched several campaigns and used various media tools to foster local residents' humanitarian spirit and their awareness of philanthropy. Additionally, due to the lack of well-established NGOs in the community, the foundation often operates their own service programs rather than making grants to local grassroots organizations.

The Osaka Community Foundation builds on the existing philanthropic tradition and will in the community and promotes the philanthropic culture by serving as the intermediary between corporate or individual donors and the foundation's service area.

The promotion of philanthropic culture, grant-making and the direct provision of services have helped increase these foundations' visibility in their communities. However, the perceived role and impact of community-based philanthropic organizations in Japan, South Korea and China are often constrained (or strengthened) by the government and the country's legal context. As these countries are traditionally centralized, the government remains the main decision maker and service provider in the public's eye.

In South Korea, foundation missions often reflect government-determined goals. In addition, the lack of favorable tax policy, transparency,

and accountability have triggered public skepticism of foundations and hindered growth. The Beautiful Foundation has implemented a self-imposed accountability mechanism to improve the public's perception of foundations.

Most Chinese foundations are either government-organized or have close ties to the government. The Shanghai Charity Foundation was originally created by the Shanghai municipal government to raise funds for services not covered by the government. The majority of the foundation's board members are either current or retired government officials. The legal environment in China is different from that of South Korea. Chinese foundations are required to have their financial reports audited and disclosed to the public, although few people may understand the accounting methods.

In Japan, the OCF received original operational fund from the local and regional government. Although the foundation now received most of its donation from corporations and individuals and there are no government officials serving on the foundation's board, the OCF staff works closely with the government in serving the local needs.

The sources of financial support for the three foundations are important to note. The Beautiful Foundation receives approximately 60% of its donation from corporations and 40% from individual donors, but no government funding. It also currently receives limited Diaspora giving. The Osaka Community Foundation is very similar to the Beautiful Foundation. In contrast, the Shanghai Charity Foundation receives a small percentage of its funding from

government, and the rest from domestic as well as international corporations and individual donors.

All three foundations set up donor advised funds and involve donors in making fund-distribution decisions. In addition, the Beautiful Foundation and the Shanghai Charity Foundation have higher payout ratios than their American counterparts. The Shanghai Charity Foundation, for example, is required by statute to distribute 70% of its gifts received each year for public benefit programs. The higher payout rate limits the community foundations' ability to build endowment and increases the need to emphasize annual fundraising efforts. In contrast, the OCF resembles the American counterparts and have endowments which would allow them to make strategic grants.

Based on this comparative study, it is evident that optimism about the potential for an expanded role for community foundations in East Asia must be measured against several limiting institutional variables. We posit that community foundations with a shorter history are more likely to focus on developing a philanthropic culture in the communities they serve. In addition, community foundations in a country/region with less-developed NGOs are more engaged in direct service provision while maintaining less focus on grantmaking. Moreover, the lack of legally-required accountability mechanisms influences the public's perception of community foundations' autonomy and impact in the community.

Future studies of community foundations in East Asian countries will provide additional insight into the inception, governance, mission and

programs, and impact of community foundations in urban Asian communities.

Inclusion of additional case studies from other East Asian countries will provide the opportunity to identify trends in the development of this form in rapidly changing countries.

Comparison with community foundations in the United States may also offer insight into what the future holds for community foundations in East Asia. The number of community foundations in the United States increased significantly in the 1990's. These relatively young foundations provide opportunity to measure the life-cycle model across international contexts. However, the new entries into the community foundation world in the United States were immediately endowed with a more institutionalized community understanding of philanthropy as well as a well-established nonprofit community of service providers. Future research that is able to isolate these community characteristics and analyze their impact may contribute to our understanding of community foundations as well as the potential for increased participation in local problem solving.

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Table 2: A Comparison of Community Foundations in China, Japan, and South

Korea

	Shanghai Charity Foundation, China	Osaka Community Foundation, Japan	The Beautiful Foundation, South Korea
Year established	1994	1991	2000
Board	25 members	7 members	17 members
Funding sources	State-owned enterprise, foreign corporation, domestic and international individual donors, and international NGOs	Local government initial funding, middle and small size corporations, and domestic individual donors	Corporations and domestic individual donors
Number of restricted funds	171	158	114
Main activities	Foster philanthropic	Foster philanthropic	Foster philanthropic culture;

supporting the community	culture; Directly serve disadvantaged population	culture; Grantmaking	Grantmaking; Directly serve people in need
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