

**The Role of Companies
in the Development of
a Vibrant Third Sector in Hong Kong**

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Contents

	<u>Page</u>
Chapter 1	Executive Summary 4
Chapter 2	Preamble: context, background and definitions 7
Chapter 3	Specific Aims and deliverables of the study 9
Chapter 4	Corporate Philanthropy in Hong Kong 10
	I. Overview 10
	II. Findings of the Golin/Harris questionnaire 20
	III. Key issues for Hong Kong from International Comparisons 34
	IV. Conclusion: The Four key “deliverables” 56

Appendices

	<u>Page</u>
Appendix A:	International Comparisons Case Study 1: the United States 63
Appendix B:	International Comparisons Case Study 2: Canada 71
Appendix C:	International Comparisons Case Study 3: the UK 80
Appendix D:	International Comparisons Case Study 4: China 88
Appendix E:	A cautionary note on national and company data 98
Appendix F:	The Golin/Harris Questionnaire 100

<u>References</u>	109
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<u>Bibliography</u>	116
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TABLES INDEX

Ch	Section	Number	References	Page
4	I	•	Charitable Donations in Hong Kong	13
		•	Charitable Contributions as % of GDP	16
		•	Measuring Corporate Giving	16
		•	Sources of Charitable Contributions	18
		•	Philanthropic Giving Preferred Targets	19
	II	•	Company Views on Role in the Community	21
		•	Reasons for Community Involvement	22
		•	Sum Contributed to Hong Kong Causes, 2000	23
		•	Company Giving to the Community Chest	23
		•	Sum Contributed to Mainland Causes, 2000	24
		•	Contributions to Hong Kong and Mainland Causes Compared, 2000	24
		•	Priority Targets for Corporate Giving	25
		•	Factors Persuading Your Company to Commit More Resources to philanthropy	26
	III	•	The Third Sector – Charitable and Advocacy	34
		•	Employment in Hong Kong by size of company	41
•		US Charitable Contributions, 1999	42	
APPENDIX A	•	US Charitable Contributions, 1999	64	
	•	Recipients of Charitable Donations, 1999	65	
	•	Recipients of Corporate Charitable Donations, 1999	66	
APPENDIX B	•	Canada Charitable Giving, 1996	73	
	•	Destination of Canada Charitable Giving, 1996/7	74	
	•	The Pattern of Corporate Giving, 1996	74	
APPENDIX C	•	The Pattern of Corporate Giving, 1996	81	
	•	UK Payroll Giving 1987-98	83	
APPENDIX D	•	Destination of Chinese Foundation Giving	90	
	•	Spending by Beijing NPOs	91	
	•	Main source of Beijing-based NPOs' Income	91	

Chapter 1: Executive Summary

Headline points

- Charitable contributions, as measured by various tax authorities, amount in the US to about 1.8% of GDP (about US\$143bn in 1999), about 0.5% of GDP in Canada (C\$4.6bn in 1998), and about 0.2% of GDP in Hong Kong (HK\$2.6bn in 1998).
- Hong Kong's distinctive characteristics – including its British colonial roots, its conservative and Chinese family-based traditions, its refugee history, and its tax regime – mean that the pattern of philanthropic giving is different from patterns commonplace in western industrial economies – in particular as far as company giving is concerned. However, there seems to be a clear pattern that corporate giving accounts for about 10% of total giving. Available data suggests that giving in Hong Kong is likely to match this overall pattern.
- Big companies give more. So do companies with large numbers of staff employed locally. Long-standing companies with stable profit performance are more generous on a per capita basis. So are companies strongly subject to Government regulation. SMEs give little in cash terms, but are potentially valuable givers in terms of staff volunteer activity. These characteristics provide a profile of companies likely to be most amenable targets for enhanced philanthropic activity.
- Among local Hong Kong companies, many of them family-owned, the company is not commonly used as a significant channel for philanthropic giving. Unlike in the US, there are no strong tax incentives either to channel giving through a company, or to create corporate foundations as vehicles for giving activity. Hong Kong's Inland Revenue Department reported approved charitable donations by companies of HK\$850 million in 1999, about 0.36% of total assessable profits of HK\$234bn.
- This HK\$850 million significantly understates actual levels of corporate giving. Guesstimates based on various methods for calculation suggest that company giving currently amounts to at least HK\$1.4 billion, and that the upper bound of giving is about HK\$2.6 billion. This excludes the value of giving in kind, the monetised value of company-endorsed volunteer activity, and personal giving by heads of family-owned companies. The upper bound will rise or fall as profits rise or fall. Current gloomy global economic prospects suggest that giving levels may fall rather than rise in the immediate future.

- Successful business leaders tend to give discretely (according to Chinese tradition), sometimes through individual or family foundations. Business leaders also “give back to the community” through active personal and financial support in community charitable organizations like the Hong Kong Jockey Club, the Community Chest, the Tung Wah Hospitals group, etc... There is also a high level of “guanxi” giving in support of charitable initiatives taken by business friends or colleagues.
- Multinational companies in Hong Kong are distinct as far as philanthropy is concerned. Giving policy is normally dictated from the global headquarters, and is often driven by a corporate foundation. Such companies tend to be generous contributors in general, but will give little in Hong Kong (which most regard as a comparatively wealthy community) unless they have very substantial numbers of employees in the SAR. Their giving activity is strongly driven by a desire to motivate and retain staff. Giving patterns are more stable than those of local companies, and are less vulnerable to economic volatility in Hong Kong or Asia. While the quantum of giving tends to be modest, they can provide examples for best practice and a structured, professional approach to giving activity.
- The habit of corporate giving among local companies is growing and likely to grow quickly, with internationalized Hong Kong companies and multinationals with Asia headquarter operations based in Hong Kong providing examples of best practice.
- There is a broadening awareness among companies worldwide, based on a reliable body of academic research, that strong community commitment coincides with strong profits performance. Which factor is the cause, and which the effect, is less agreed upon.
- The extent to which companies are willing to give philanthropically will remain inhibited until more charities in Hong Kong provide clear and detailed information about who they help, and how effectively they use the resources they receive – what in the west is called “gift stewardship”.
- At the same time, however, the fact that more Hong Kong people, and the companies they lead, have come to regard Hong Kong as a long-term home since the 1997 transition to Chinese sovereignty, suggests that corporate giving levels to the Third Sector will rise over time.

Key Golin/Harris Survey findings

- Virtually half of all respondent companies “identify strongly with the community and actively encourage staff to be involved”, compared with less than 10% which said they “exist simply to do business”. This suggests a high level of willingness to commit resources to corporate philanthropy.
- Most companies give to build a good reputation, to compliment marketing activity, and to motivate staff.
- A mere 9% of companies are influenced by tax or other financial benefits when considering philanthropic activity.
- Few companies give a fixed share of profits, though giving levels rise and fall closely in line with profit trends.
- Giving to causes on the Chinese Mainland is rising as companies become more heavily involved on the Mainland, but not at the expense of giving in Hong Kong.
- Companies are most willing to give to causes linked with Education, the Environment, Poverty/Disabled/the Aged, Children, and with Health and Medicine.
- Companies are least willing to give to causes linked with Heritage, Religion, Culture and Sports.

Chapter 2: Preamble: context, background and definitions

In his annual Policy Address in October 2000, Chief Executive Tung Chee Hwa dedicated significant attention to the need for Hong Kong to continue to develop as a caring society. Noting an emerging concern over the wide gap between the well-off in society, and those living in hardship, he referred to the need to maintain policy reform in housing, in the provision of welfare for the elderly, in the provision of municipal services, and in health care reform. He paid particular attention to the need to develop our education system to meet Hong Kong's fast-evolving needs as a knowledge economy. He also called for more attention to be paid to job creation and the development of appropriate skills for those who are ill equipped to compete and thrive in our increasingly skill-intensive economy.

In acknowledging and giving priority to these pressing needs, the Chief Executive recognised that the Government alone can only go part of the way to addressing them. Success will rest on individual and corporate citizens playing "an increasingly active role in serving the community and in voluntary services". In short, the nurturing of a vibrant "Third Sector" has become a vital issue in addressing the community's needs going forward.

This report focuses on the role played by companies based in Hong Kong in supporting the growth of the SAR's voluntary sector. Since there is no clear distinction in Hong Kong between a "Hong Kong company" and a foreign-owned company operating in Hong Kong, or a company operating in Hong Kong but owned and controlled by non-permanent residents, so this report generally makes no distinction between these different categories. In most contexts, a company based in Hong Kong for the purposes of this study is therefore any company with "command and control" in Hong Kong, whatever the "national" origin of that company, or its place of incorporation. Clear multinationals, where global policy is dictated from global headquarters (including policy on philanthropic activity), provide an exception to this general rule, and where it is relevant in the study, these companies are assessed distinctively.

Drawing on new and existing sources of local information, and upon international institutions to provide insights on the development of the not-for-profit sector in other countries around the world, the report examines how the present state of voluntary activity and corporate philanthropy compares with circumstances elsewhere, and how it might develop over time. In particular, it focuses on the role played by companies and the corporate sector. Private and personal philanthropic activity, and that of family or private foundations, is examined in support of the priority focus on corporate philanthropic activity, but is not a primary focus. This would require separate study.

Defining the “Third Sector”

If the “First Sector” represents the role of Government and Government agencies, and the “Second Sector” represents business and the private corporate sector, then the “Third Sector” represents all of those private (i.e. non-government) individuals and organisations in a society which work not for profit, but in support of voluntary and philanthropic initiatives aimed at fostering a rich and inclusive civic society.

Unhappily, this is a sector that has grown society by society without any definitional consensus. Discussion and debate over the role of the Third Sector is confused because terms like “the voluntary sector”, the “not-for-profit” sector, “non-Governmental organisations” or NGOs, the “independent sector” or “charitable organisations” are often carelessly confused. In fact, while these different categories overlap, they are not the same. Failure to recognise the differences has muddled analysis, and rendered most statistics purporting to measure the size or importance of the Third Sector virtually incomparable. This problem, and the implications that arise from it, is examined in greater detail at the beginning of the appendix on international comparisons.

Chapter 3: Specific Aims and Deliverables of the Study

Four key “deliverables” were formally identified for the study:

- a. To gather and study data on the pattern of corporate giving in Hong Kong, the Mainland and overseas
- b. To establish an “upper bound” on the financial resources available in the form of donations from the business sector in support of the Third Sector.
- c. To examine non-financial volunteer programmes offered by the corporate sector.
- d. To consider organisational changes that might foster stronger corporate contributions to building a vibrant Third Sector.

Chapter 4: Corporate Philanthropy in Hong Kong

I. Overview

Patterns of personal and corporate philanthropic activity have distinctive roots in Hong Kong. The SAR's colonial origins and institutions have, over more than a century, played a powerful role in determining the scope and focus of Hong Kong's "Third Sector". So too has the turbulent politics of the region, which has until very recently prompted many Hong Kong residents to regard the SAR as an uncertain and perhaps short-term home. A third potent influence is that of Chinese culture and traditions, which both channel philanthropic activity in particular directions, and dictate modesty and discretion in talking about "good works".

Combine these factors with the laissez-faire environment of Hong Kong, which has required "small" Government, low levels of taxation, and minimal statistical analysis of the SAR's economic and social trends, and it should not be surprising that there is a virtual statistical void on the scale and scope of philanthropy in the SAR, whether personal or corporate. The few statistical measures available – in particular from the Inland Revenue Department – suggest that levels of giving in Hong Kong are significantly lower than in other economies like the US, the UK or Canada. In reality, however, these are poor comparative measures, and cannot in their own right be used to infer that the level of philanthropic activity differs in any material way from those countries where statistics capture "giving activity" with more accuracy.

Despite this distinctive environment, there is clear evidence that patterns of corporate philanthropic activity are in the process of rapid change. The end of colonial rule and the emergence of new and more democratically-rooted political activity is changing the shape of Hong Kong's "Third Sector". At the same time, increasing stability in the region means that an increasing proportion of the population now reasonably regards Hong Kong as its long-term home. Many local people are now second and third generation Hong Kong residents, and unlike their parents or grandparents place their roots in Hong Kong rather than in ancestral homes on the Chinese Mainland. The SAR's significant role as a headquarter hub for multinationals from all corners of the world means that western corporate attitudes to philanthropic activity are beginning to have a stronger influence. As companies begin to adopt a "strategic" approach to the use of philanthropic activity to build a positive community profile, motivate staff, and build reputation for the long term, so the predominance of traditional Chinese views that "giving" was a discrete affair, a matter of personal and private conscience, has begun to erode.

These factors suggest that giving activity by locally-based companies (whether owned by local entrepreneurs or multinational groups) is likely to increase in the future. Improvements in the capture of data aimed at describing giving activity may synthetically exaggerate this trend, but there can be confidence that it is a trend nevertheless.

The colonial influence

As several examinations of philanthropic activity in Hong Kong have demonstrated² charitable institutions have grown in Hong Kong over more than a century to “fill the space left over by Government”. The system of “benevolent neglect” intrinsic to Hong Kong’s British colonial rule, which mobilised local non-Government organisations to meet the welfare needs of the community, gave charitable groups a key role from the colony’s early days. The colonial administration encouraged growth of this charitable activity around traditional community organisations like clan, ethnic and religious groups. As a result, organisations like the Po Leung Kuk, the Tung Wah Group of Hospitals, Caritas, and dozens of kaifong or community clan groups, have been active and influential for over a century. Both the Po Leung Kuk and Tung Wah recently celebrated 130th anniversaries. Today, they account for about 15% of the 3,400 charitable institutions and trusts approved by the Inland Revenue Department under Section 88 of the Inland Revenue Ordinance³.

While such organisations were not in any formal sense channels for corporate philanthropy, they have always been avenues used by those that have achieved business success to play a role in the social and welfare problems requiring attention in the community. So too organisations like the Hong Kong Jockey Club and the Community Chest, the board members and trustees of which are a veritable roll call of the SAR’s business elite. This has often led to a blurring of the distinction between personal and corporate philanthropy for many local entrepreneurs, both large and small.

Hong Kong’s Charitable Sector

As already noted, a total of 3,400 charitable institutions are approved in Hong Kong under Section 88 of the Inland Revenue Ordinance. Many more voluntary organisations exist, but do so without seeking charitable status. Many operate as businesses, and so are technically liable to pay tax. However, such organisations normally operate to break-even and so in fact rarely have any taxable surplus.

By far the largest single identified source of charity in Hong Kong is the Jockey Club which after payment of taxes on betting to the Government, operates under a not-for-profit ordinance which channels all revenues from its monopoly on gambling to charitable causes via its Charities Trust, which was established in 1993. Over the last ten years, the Trust has contributed an average HK\$1 billion to charity annually. In the year 1999-2000, a total of HK\$1,146 million was allocated to worthy causes, among which some HK\$1,056 million was approved for 110 community and charitable projects and HK\$90 million was given to 74 charities and non-profit organisations as subsidies for their operational and administrative needs, enabling them to devote their energy and staff resources to provide needed services to the community. The Trust serves four principal areas of civic and social needs in its contributions: community services, education and training, medical and health, and sports, recreation and culture. Despite a dip in giving by the Trust between 1997 and 1999 resulting from lower betting activity through the depth of the Asian economic crisis, the contribution from the Trust recovered to record levels in 1999/2000.

Also pivotal in Hong Kong's charitable culture is the Community Chest, a United Way-style organisation established in 1968 which today supports a total of almost 140 voluntary organisations in Hong Kong focused on social welfare, health and community problems. Approximately one third of the Community Chest's HK\$211 million of contributions to charities in 1999-2000 came from companies, with approximately two thirds coming from individuals.

Beyond the Jockey Club, the Community Chest, and the large community of volunteer groups that they support, Hong Kong is populated by many thousands more of voluntary groups, some of them identified earlier. Because of the roots of most of these charitable groups in the social welfare activities encouraged as part of Hong Kong's colonial personality, and because of the only-recent emergence of democratic political activism, Hong Kong remains today very lightly populated with the political activist, special interest and issue-driven advocacy groups that so dominate the not-for-profit sector of the US, Canada and the UK. The rapid emergence of democratic activism in Hong Kong means that this no doubt will change over time, affecting the nature of the voluntary sector, and the severity of competition for the charitable dollar.

The impact of five decades of regional turbulence

Until shortly before the return of Hong Kong to Chinese sovereignty in 1997, net emigration from Hong Kong remained strong. A combination over many decades of economic and political turbulence in Asia in general, and on the Mainland in particular, and of uncertainty over Hong Kong's post-1997 future, prompted many Hong Kong residents, whether entrepreneurially successful or not, to invest in footholds in other countries – in particular Canada, Australia and the US. Many companies moved their legal domicile to the Caribbean in case of unforeseen post-1997 changes.

This turbulent and unstable environment must have had at least two clear consequences in terms of corporate philanthropy. First, since most of the wealth being created from business activity was “new wealth” (and since many who were building businesses in Hong Kong had memories of lost family and business wealth in the comparatively recent past), so there would be less confidence to devote large-scale resources to philanthropic activity than might be the case in regions of the world that have experienced less economic and political turbulence. In short, the sense of material security necessary for successful individuals to give large sums away to the community has only recently begun to emerge, even for business figures who are today extremely wealthy by international comparison.

Second, since many did not until very recently confidently regard Hong Kong as their long-term home, so they will perfectly naturally have been less inclined to invest philanthropic dollars within Hong Kong. This in part explains very substantial contributions by successful Hong Kong entrepreneurs over the past two decades to educational institutions in the US, or gifts of rare art collections to museums in the UK.

The Asian regional financial crisis following the devaluation of the Thai Baht on July 2 1997 has also had a profound impact over the past four years on corporate performance and profitability, individual wealth, and levels of philanthropic giving. The following table showing IRD-declared charitable donations in Hong Kong (which as already discussed only captures a fragment of all giving activity in the SAR) suggests that the impact of the regional economic turmoil was much stronger on corporate giving than on individual giving.

Table •

Charitable Donations in Hong Kong*								
(HK\$m)								
	1992/3	1993/4	1994/5	1995/6	1996/7	1997/8	1998/9	1999/0
Companies	461	609	936	720	794	803	631	850
Individuals	716	831	1,004	1,190	1,387	1,661	1,665	1,850

* As declared to the IRD for purposes of claiming tax relief

Source: Inland Revenue Department

The table in fact suggests a “double dip” in corporate giving in Hong Kong – the first coming after 1995, possibly linked with corporate uncertainty in the approach to the transfer of sovereignty in 1997, and the second coming in 1998-99 as the Asian economic turmoil was at its most severe. The 35% rebound in reported corporate giving in 1999/2000 coincides with the peaking of the “dot.com boom” in Asia, and so may not have been sustained since then.

Culture and traditions

Corporate giving in Hong Kong has been strongly influenced by local Chinese culture and traditions. Among Chinese communities, a strong ethic exists for successful people to give back to their community. Such giving honours ancestors, and a person's family name. The norms of modesty at the same time call for such giving to be discrete.

Much giving can also be seen as “guanxi” giving, in which donors give as much because of the face given by being asked to join a small elite group of donors as because of the nature or worth of the cause itself³. Such giving practices create “webs of obligation” between members of Hong Kong's business elite, and drive a significant proportion of individual philanthropic activity which (again) is not clearly differentiated from corporate giving: “Donors who attend gala balls or who write checks because someone important has asked them will rarely inquire whether their gifts were well spent – or spent at all. As a consequence, some recipient institutions in Hong Kong keep very sketchy records, and few have systems in place for reporting back to donors⁴.”

This in part may explain why the transparency and information dissemination commonplace among US charitable institutions – part of what is called “gift stewardship” – is comparatively uncommon in Hong Kong.

Corporate demographics

A very large number of Hong Kong companies are both small, and privately owned. As such, many have no institutionalised giving activity. It is noteworthy that according to the Conference Board in the US, larger companies donate more per capita than small companies. The US country-wide average for giving by all companies is just over US\$350 per employee, while the average for companies of 15,000 employees or more – by far the most “generous” cohort of companies – is almost US\$1,150. Hong Kong has just 86 companies employing more than 1,000 people⁵.

As already discussed, many Hong Kong companies also blur the distinction between personal and corporate giving, making it more than usually hard to quantify corporate philanthropy as opposed to individual giving. This blurring of corporate and personal giving can be sustained up into even large local family-controlled companies.

By contrast, a very large number of the international or global companies based in Hong Kong may have a small local presence, but be part of a company employing tens of thousands. As such, local giving might be small by comparison with the group's giving patterns in economies where it has a stronger local presence. Also, even where such companies employ a relatively large number of people locally, giving patterns are likely to be shaped by headquarters policies on philanthropy.

These unusual demographics concerning both local and international companies operating in Hong Kong create a distinctive environment for corporate giving activity – a factor influencing the findings of the Golin/Harris survey⁶.

The Influence of Tax Policy

Since personal and corporate tax rates in Hong Kong are low and simple, so the incentive for either a donor or a recipient to report giving activity in full to the Inland Revenue Department is less powerful than is the case in economies where tax rates are higher and tax regimes more complex. For example, an individual in the UK paying salaries tax at the highest rate of 40% can, by exploiting tax rules, give £100 at an after-tax cost to him or herself of £60. The same incentive exists for a tax-exempt recipient charity: by persuading a donor to give in a tax-efficient way, it can use its tax-exempt status to claw back the tax paid by the donor, so enhancing the cash value of a donation by between 25-40%, depending on the tax bracket of the donor.

By comparison, in Hong Kong, over 50% of the population pay no salaries tax, and so have no tax payment against which to claim tax relief. A mere 3% of the population pay the full 15% tax rate (approximately 10,000 people).

In addition, Hong Kong individuals and companies pay no capital gains tax on assets like property or shares, and so are subject to no incentive to donate such assets. By contrast, in the UK and the US, where tax on such gains is substantial, much giving is based on gifts of assets like family properties or shares. It is perhaps not surprising, therefore, that the levels of individual and corporate giving as reflected in IRD data are low by comparison with the US or even the UK.

Table •

Charitable Contributions as % of GDP			
<i>Location</i>	<i>Total donation (local currency)</i>	<i>GDP (local currency)</i>	<i>Donation as % of GDP</i>
Hong Kong (1998)	HK\$2.6bn	HK\$1,267bn	0.21
United States (1999)	US\$143.5bn	US\$8,110bn	1.77
Canada (1998)	C\$4.6bn	C\$896bn	0.52

Source: Various National Statistics

The Corporate Contribution

The task of measuring in any accurate way the current level of corporate giving in Hong Kong is a forlorn one. As already noted, the tax regime provides only a limited incentive for either individuals or companies to report accurately the size and priorities of corporate giving activity. Based on IRD data – the only reliable data available – corporate donations to charity amounted to HK\$850 million in 1999/2000, the latest year for which figures are available. The following table indicates that giving rates rose significantly between 1998 and 1999, to about one third of one percent of assessable profit.

Table •

Measuring Corporate Giving				
All figs in HK\$bn	1997	1998	1999	2000
Total assessable profits *	346	282	234	261
Profits tax paid (financial years)	55	45	38	43
Approved Charitable Donations	0.803	0.631	0.850	n.a
Reported giving as % of assessable profits	0.23	0.22	0.36	n.a.

Source: Hong Kong Inland Revenue Department

** Fiscal year. Profits after deductions and allowances (including charitable donations)*

As already noted, this number probably understates significantly the level of corporate giving in Hong Kong. Apart from failing to capture much cash giving because of the low level of incentive to report charitable activity for tax relief purposes, it takes no account of giving in kind. Nor does it in any way take account of voluntary activity undertaken by employees as part of formal corporate volunteer schemes. It also fails to capture most of the giving undertaken by Hong Kong's family-controlled companies, no matter how small or large and no matter whether they are wholly private or locally-listed⁷, since such giving is regarded as private and personal rather than company giving. For example, the head of one of Hong Kong's listed property companies contributes nothing to charity through his family-controlled company, but donates in the region of HK\$200 million a year to local charities from his own personal wealth.

Much giving activity by the thousands of multinationals in Hong Kong also goes unreported, because charitable donations outside the US do not qualify for tax relief under US tax rules. In so far as such companies pay tax in Hong Kong, then of course eligible giving can be claimed against local tax liabilities up to the normal limit of 10% of earnings, and to this extent can be tracked.

In view of the difficulties in understanding or quantifying the current corporate contribution to charities in Hong Kong, Golin/Harris undertook a small survey at the beginning of 2001, the findings of which are presented in the next section of this report⁸.

Hong Kong's Big Givers

No specific research was conducted to build a reliable or comprehensive picture of Hong Kong's biggest givers. However, some information already exists in the public domain that provides a glimpse into the wealth – and the level of giving – of some of Hong Kong's business elite.

According to Forbes magazine, Hong Kong is home to at least 13 business leaders with wealth of US\$1 billion or more. Foremost among these is Li Ka-shing, with estimated wealth of US\$11.3 billion. He is closely followed by Raymond and Walter Kwok and Lee Shau-kee⁹.

The philanthropic giving activity of Hong Kong's super-rich is largely unknown and unrecorded. It is noteworthy, however, that according to Forbes' records, two of this elite accounted for two of the 12 largest individual philanthropic donations worldwide in 1999 – Li Ka-shing, donating US\$19.3 million, and Stanley Ho, giving US\$8 million¹⁰. Such data is infamously anecdotal, but can be seen as indicative of a vibrant giving culture among Hong Kong's business elite.

Hong Kong Compared

As already noted, the poverty of reliable data in Hong Kong on either individual or corporate giving makes international comparison difficult. So too does the muddle of measures and methodologies used in compared countries to measure philanthropic activity. Putting these important quibbles aside, and basing comparison on data as provided by main sources country by country, the following comparison of the sources of charitable giving can be collated:

Table •

Sources of Charitable Contributions (latest available years)				
<i>Source of giving</i>	<i>HK</i>	<i>US</i>	<i>Canada</i>	<i>UK</i>
Individuals	69	75.6	57	66
Foundations	*	10.4	4	13
Bequests	*	8.2	*	13
Corporations	31	5.8	9	4
Government sources	*	-	30	4
Total	100	100	100	100

Sources: AAFRC, Canadian Centre for Philanthropy, Charities Aid Foundation, HK Inland Revenue Department

** Not separately identified*

It is of course unlikely that giving patterns in Hong Kong are so dissimilar from those in compared economies. The exclusive reliance in Hong Kong on the IRD for giving data means there is no disaggregated measure of giving by family or corporate foundations, or by charitable gifts at death. A rule of thumb from the comparison would nevertheless be that individuals appear, country by country, to account for around two thirds of all charitable giving, with one third from all other sources combined.

When the preferred targets of charitable giving are compared across boundaries, some interesting insights arise (*see table 5 on P.19*). Comparative data from the UK was unavailable, and data for Hong Kong has been drawn from the Golin/Harris survey (which allowed respondents to identify up to three sectors receiving priority attention). Individuals in the US and Canada focus up to a half of their giving on religious causes or charitable activities supported by religious groups. By contrast, companies give negligible sums to religious causes – presumably because their executives believe such giving to be a matter of individual conviction and conscience. Without exception, companies give most substantially to the education sector, with poverty and health-related causes ranking second. The very high level of corporate commitment in Hong Kong to environmentally-related charities appears to be unusual, perhaps linked with the recent high level of concern about environmental deterioration in the SAR, and with a tendency in the US and Canada to expect Governments to tackle

environmental problems, and to provide legislation that imposes statutory requirements on individuals and companies in terms of environmentally responsible behaviour.

Table •

Philanthropic Giving: Preferred Targets (%)						
	Corporate Giving			All Giving		
	HK*	US	Canada	US	Canada	China
Religion	3	-	-	43	51	-
Education/Scholarships	58	34.8	26	14.4	4	34
Environment	39	-	-	3.1	2	1
Poverty/disabled/aged/children	35	407	23	9.1	11	30
Health/medical	27		15	9.4	17	
Arts, Culture, Sport, Heritage	11	11.5	14	11.6	3	23
International	5	-	-	1.4	2	-
Other	-	13	22	8	10	12
Total	*	100	100	100	100	100

* Corporate Giving only. HK respondents allowed multiple responses, so responses do not equal 100%

Sources: Golin/Harris Survey, January 2001, AAFRC, Conference Board, Canadian Centre for Philanthropy and China Association of Sciences Foundations

II. The Golin/Harris Questionnaire on Corporate Philanthropy in Hong Kong

As part of the study of corporate philanthropy in Hong Kong, a questionnaire was sent (with the assistance of the HK General Chamber of Commerce, the British Chamber and the American Chamber) to a total of about 250 companies. A total of 66 companies responded to the questionnaire. Obviously this is a small cohort of companies, given that Hong Kong is home to some 300,000 firms, but it compares well with similar surveys on corporate philanthropic activity conducted in the US, Canada and the UK by organizations like the Conference Board and Business in the Community.

Almost one third of respondents employ more than 1,000 staff (the average company size in Hong Kong is about 6 people). Even ignoring these largest companies, the average size of the remaining respondent companies is at least 140 staff – still significantly higher than that Hong Kong average. Since respondents included some of Hong Kong’s largest employers (like Jardine Matheson, HSBC and Standard Chartered Bank) it would not be unreasonable to expect that they represent over 100,000 employees. Given that Hong Kong’s working population is approximately 3.4 million, then the survey reached companies that probably account for around 3% of Hong Kong’s workforce.

Key Findings

The companies that responded

Just under two thirds of responding companies employed less than 500 people, with just under 10% employing more than 2,000 staff. This “over-represents” large companies in Hong Kong, which are the companies that are likely to have formal philanthropic programmes, dedicated staff and departments devoted to community activity, and formal volunteering programmes.

Of responding companies, just under three quarters had operations on the Mainland. Of those with operations on the Mainland, two thirds employed less than 500 staff there.

Among respondents, 56% were Hong Kong companies, either listed or not, while the remaining 44% were multinationals or otherwise foreign owned. At the same time, more than 80% used Hong Kong as their headquarter base for Asia, and just over half said Hong Kong was their main place of business operation. Just under one third of responding companies defined themselves as family owned, taken to mean that members of a single family owned all shares in the company, or held effective decision-making control.

The great majority of respondents were services providers – about 75% - and of these service providers, three quarters provided “B2B” services – that is, services to other businesses.

Almost half reported that 1997 was their best year for profits in the recent past, while 1998 was widely reported as the worst year. A significant majority reported rising profits through both 1999 and 2000. Two thirds reported increasing business presence on the Mainland, with 90% predicting growth or strong growth in the coming five years.

Three quarters of respondents were subject to Government regulation (sometimes seen as a factor driving corporate contributions to the community). Interestingly, 47% of respondents said that more than half of their Hong Kong-based management had been educated overseas – a factor thought likely to influence positively management attitudes to philanthropic activity, given the higher public profile given to such activity in companies operating in North America and Europe through the general media and business organisations.

Company views on their role in the Community

A tiny 9% of respondents believe their company exists “simply to do business”. By contrast, almost half agreed that their company “identifies strongly with the Hong Kong community and actively encourages staff to be involved in the community”.

Table •

Company Views on role in the Community	
	<i>%</i>
My company exists simply to do business	9
My company makes selective contributions to community causes	32
My company identifies strongly with the Hong Kong community	12
My company identifies strongly, and actively encourages staff to be involved in the community	47

Source: Golin/Harris Survey, January 2001

Motivators

The principal motivator for community involvement is the need to build a good reputation, according to 80% of respondents. By sharp contrast, a bare 9% saw tax and other benefits as motivators for philanthropic activity. While 58% saw community involvement as a compliment to marketing activity, a similar proportion saw it as a means of motivating staff and building team spirit.

Table •

Reasons for Community Involvement	
	<i>%</i>
Building a good local reputation	80
Compliment to marketing activities	58
Motivating/building team spirit of staff	56
Building links with key client groups	50
Attracting quality recruits	38
Tax and other financial benefits	9

Source: Golin/Harris Survey, January 2001

While very few said they had an active role in local business and professional groups (under 11%), about a third have developed community activities focused on the immediate vicinity of their operations.

Company positions on philanthropy

Donating a fixed share of profits

A bare 5% of respondents committed a fixed proportion of annual profits to philanthropic causes – an interesting fact, given the efforts in the US, Canada, the UK and Japan to encourage companies to commit a fixed 1% of their after tax profits to community initiatives. At the same time, however, a surprising proportion (over 40%) maintain community giving at steady levels regardless of profit movements year by year.

Scale of giving

About a quarter of respondents said they contributed HK\$1 million or more every year, with a further 11% giving HK\$500,000 to HK\$1 million. This finding is likely to exaggerate the average for all companies in the SAR since, as noted earlier, large companies are “over-represented” among the respondents. Just over half of respondents retained charitable commitments at steady levels over the past three years, in spite of the pressure on profits following the Asian markets crash in 1997, while over a quarter say they raised contributions.

Table •

Sum contributed to Hong Kong causes, 2000	
	% of companies
Up to HK\$10,000	14
HK\$10,000-50,000	21
HK\$50,000-500,000	26
HK\$500,000- HK\$1 million	11
Over HK\$1 million	24
Not specified	4

Source: Golin/Harris Survey, January 2001

The Community Chest

The Community Chest, which has striven to attract corporate contributions for several decades, and is probably the best-known charitable entity in Hong Kong, attracted surprisingly modest support. Just 17% of respondents gave 50% or more of their community contributions to the Chest, while 35% gave nothing at all to the Chest.

Table •

Company Giving to the Community Chest	
	%
Give nothing to the Community Chest	35
Give up to 50% to Community Chest	44
Give more than 50% to Community Chest	12
Give all to the Community Chest	5
No specification	4

Source: Golin/Harris Survey, January 2001

Giving to causes on the Mainland

There is much interest in the scale of giving to causes on the Mainland by Hong Kong-based companies. The survey suggested that in spite of widespread plans for steady business growth on the Mainland, and an expectation that corporate giving to Mainland causes will rise, this is likely to remain modest by comparison with giving in Hong Kong itself, and is likely to be supplementary to donations in Hong Kong, rather than diverting community resources away from the SAR.

Table •

Sum contributed to Mainland causes, 2000	
	% of companies
Up to HK\$10,000	42
HK\$10,000-50,000	15
HK\$50,000-500,000	15
HK\$500,000- HK\$1 million	3
Over HK\$1 million	8
Not specified	17

Source: Golin/Harris Survey, January 2001

Just 11% of responding companies gave more than HK\$500,000 a year to Mainland causes (compared with 35% for Hong Kong causes), while 42% gave HK\$10,000 or less (compared with 14% for Hong Kong). At the same time, 70% of respondents said giving to Mainland causes was steady, or had risen over the past years.

Table •

Contributions to Hong Kong and Mainland causes compared, 2000		
	Hong Kong (% of companies)	Mainland (% of companies)
Up to HK\$10,000	14	42
HK\$10,000-50,000	21	15
HK\$50,000-500,000	26	15
HK\$500,000- HK\$1 million	11	3
Over HK\$1 million	24	8
Not specified	4	17

Source: Golin/Harris Survey, January 2001

An emphatic 77% insisted that the growth in contributions to Mainland causes had had no effect on their commitments in Hong Kong over the past five years, with 67% saying it would have no effect going forward.

There was virtual unanimity that the 1997 transition had not altered in any way companies' attitudes to community activity in Hong Kong – only one respondent said that it had.

Priority targets for philanthropic activity

As for priority targets for philanthropic focus, the sector seen by far as the most important is education, with 58% of respondents saying they targeted this area. Also moderately strongly supported were the environment, poverty, disability and the aged, children, and health/medical causes. Sports and culture were seen as priorities by just 11% of respondents, while heritage interested just 1% (effectively, one respondent).

Table •

Priority Targets for Corporate Giving	
	<i>%</i>
Education/Scholarships	58
Environment	39
Poverty/disabled/aged	35
Children	30
Health/medical	27
Promoting Hong Kong	17
Sports	11
Culture	11
Disaster Appeals	9
Research	6
China	5
International	5
Religion	3
Animals	3
Heritage	1

Source: Golin/Harris Survey, January 2001

Encouraging volunteer activity

On the issue of encouraging volunteer activity and a “culture of volunteerism”, at least 30% of respondents have no formal schemes in place to encourage voluntary activity. Similarly, just 30% give staff time off to be involved in voluntary activity. However, a substantial 45% of respondents provide matching funds to staff taking initiatives to raise money for charity. It is not easy to reconcile these responses in anyway reliably with the finding¹ that 47% of respondents “actively encourage staff to be involved in the community.”

Just under half of respondent companies had senior managers and/or their spouses sitting on the boards of Hong Kong-based charities, but a bare half of these said these positions influenced the focus or priority of their company’s philanthropic activity.

Factors encouraging more philanthropic activity

Asked to identify what factors would be key stimuli for committing more resources to philanthropic activity, nearly half of respondents identified “*Rising Profits*” as the single most important factor (see Table • below). Also important were *Rising welfare/community needs* (50% of respondents said this factor was from moderately important to most important), *staff requests for more involvement* (44% said this was moderately important), and an *increase in Hong Kong operations* (just over 44% felt this was moderately important).

Table •

Factors persuading your company to commit more resources to philanthropy? (Percentage of respondents identifying each factor)			
	Most Important	Moderately Important	Unimportant
Rising Profits	48	15	11
Rising welfare/community needs	12	38	20
Increase in Hong Kong operations	4.5	44	18
Increase in Mainland operations	6	21	38
Staff requests for more involvement	-	44	23
Tax breaks for philanthropic spending	-	32	36
Government matching funds	-	27	42

Source: Golin/Harris Survey, January 2001

Least important were an *increase in Mainland operations* (38% of respondents specifically identified this factor as unimportant), tax breaks and Government matching funds (around 40% of respondents identified these factors as of generally low importance).

Second-level analysis of the Survey Findings

Large versus small companies

Companies employing fewer than 200 staff in Hong Kong were defined as “small”. Those employing more than 200 were defined as large.

- *Survey bias to international companies:* Interestingly, the smaller companies employed a significantly larger proportion of foreign-educated senior executives (those with at least half of senior executives educated overseas accounted for 67% of small companies, as opposed to 31% of larger companies). This suggests strongly that a large proportion of small-company respondents were actually foreign-controlled (note that Britcham, Amcham and two public policy groups were used for broadcast dissemination of the questionnaire). The questionnaire therefore probably captured views of international business considerably more reliably than those of purely local companies – especially the hundreds of thousands of tiny local SMEs, which from other sources appear to be strong supporters of the Community Chest, organisations like the Po Leung Kuk, and clan associations.
- *Strong community commitment:* Large companies showed a significantly larger commitment to community causes. A total of 74% of respondents said they identified strongly with community, compared with 39% for smaller companies. All of those respondents who said their company exists “simply to do business” were small companies (9% of the total cohort of respondents, and 21% of small companies).
- *Reasons for community giving:* Larger companies were much more firmly focused on building a good local reputation (95% of respondents identified this as a reason for community involvement, compared with 61% for smaller companies). Building links with client groups, and motivating staff were identified by all companies as key priorities, but larger companies were distinctive in recognising the value of community activity in motivating staff (50% cited this factor as a reason for community involvement, versus 14% of small companies).
- *Small companies give less:* Not surprisingly, small companies contributed less to the community both in Hong Kong (just 7% contributed HK\$500,000 or more in 2000, versus 55% of larger companies) and on the Mainland (just 4% contributed HK\$50,000 or more, versus 37% of larger companies). Larger companies were also more robust in maintaining levels of community giving: 50% of larger companies maintained their giving in spite of fluctuations in profitability, compared with just 29% of small companies.
- *Formal organisations for philanthropy:* While a similar proportion of small and larger companies had specific staff designated to handle philanthropic activity, a significantly smaller proportion of small companies had formal organisations to coordinate philanthropy (4% versus 37%).

- *Priorities for giving:* education was the highest priority sector for both small and larger companies, with larger companies unsurprisingly giving to multiple causes by comparison with small companies (larger companies prioritised an average of 3 sectors, while small companies prioritised just 2 on average). Distinctively, larger companies were much more concerned about the environment (58% identified it as a priority sector, compared with just 14% of small companies). By failing to capture in the questionnaire many small local companies, the questionnaire may have significantly under-represented the priority of the Community Chest, clan associations, Po Leung Kuk, etc.
- *Encouraging volunteerism:* larger companies were significantly more committed to supporting volunteerism (42% had formal schemes to encourage voluntary activity, versus just 14% of small companies). At the same time, 55% of larger companies provided matching funds for charitable initiatives by staff, versus 32% of small companies).
- *Views on future giving:* larger companies appear to be more confident about their own futures going forward – particularly on the Mainland – and on their plans for increasing community commitments. A significant 89% of larger companies predicted growth or strong growth on the Mainland going forward, versus 68% of small companies. About 55% of larger companies expect to increase philanthropic commitments going forward, versus 29% of small companies. On the Mainland, 50% of larger companies expect to devote more philanthropic resources, versus just 18% of small companies.
- *Factors encouraging more giving:* large and small companies alike see rising profits as the single most significant factor that would encourage more giving. Interestingly, about 40% of larger companies also said that rising community needs would persuade them to commit more to charitable causes. Larger groups in particular felt that tax breaks and Government matching funds were unimportant as motivators: in both areas, 55% said these factors were unimportant.

Hong Kong Companies versus Overseas Companies

Of all the respondents, 61% regarded themselves as “Hong Kong companies” as opposed to overseas or global companies. The questionnaire did not impose a precise definition of a Hong Kong company, so these reflect respondents’ self-perceptions. There were several areas where responses could be regarded as statistically significant:

- *Motivating staff*: 80% of overseas companies regarded this as a key reason for community involvement (almost on a par with the desire to build a local reputation). By contrast, just 40% of local companies identified staff motivation as a key reason for community involvement.
- *Target sectors for philanthropic focus*: a significantly larger proportion of overseas companies supported health and medical causes (40% versus 19%), while slightly more local companies prioritised education (65% versus 52%). A significant 22% of local companies prioritised “Promoting Hong Kong”, compared with just 8% of overseas companies.
- *Impact of leadership change*: about 30% of local companies said their philanthropic focus could change if the present head of the company changed, while just 8% of overseas companies felt that leadership change would influence giving patterns.
- *Attitudes to Voluntary activity*: Overseas companies appear to be significantly more supportive of voluntary activity by staff. About 44% of overseas companies said they had formal schemes in place to support voluntary activity by staff, with a similar number saying they give staff time off for voluntary activity. By contrast, just 19% of local companies had schemes for voluntary activity, with just 22% giving time off.
- *Role in local charities*: significantly more local companies said their seniormost management sat on the boards of Hong Kong-based charities (compared with 32% for overseas companies). However, only 22% of local companies said that such positions influenced their philanthropy programmes – a surprising, counter-intuitive finding.
- *Rising support for Mainland causes*: Of Hong Kong companies, 46% said they would consider contributing more to Mainland causes now that Hong Kong has become part of China. This compares with just 24% of overseas companies. Strikingly, 76% of companies identifying themselves as overseas companies gave HK\$50,000 or less to Mainland causes, and none gave more than HK\$500,000.
- *The impact of the Asian crisis*: of companies defining themselves as global, all kept contributions the same, or higher, over the past three years. By contrast, 18% of Hong Kong companies said contributions in 2000 were lower than in previous years, and just 20% said they were higher (versus 67% of overseas companies).

Companies with a large Mainland presence

Companies employing more than 200 people on the Mainland were defined as “large” Mainland employers, and examined separately. They accounted for 30% of all respondents. Most were also large employers in Hong Kong and they accounted for 56% of those companies giving HK\$1 million or more to Hong Kong-based charitable causes. In principle, therefore, their strong (and rising) presence on the Mainland could in due course raise questions over whether the scale of their commitment to Hong Kong is likely to be maintained over time.

- *The giving trend in Hong Kong for companies with Mainland operations:* among those companies employing more than 200 people on the Mainland, just 15% said they had increased giving in Hong Kong over the past three years, compared with 32% for those employing fewer than 200 people on the Mainland, and 26% for all respondents. No precise reasons are apparent for this discrepancy, though it is possible to surmise that as companies build more substantial businesses on the Mainland, so the priorities driving their giving activity shift, resulting in a reduced commitment to steadily rising philanthropic activity within Hong Kong.
- *The sum contributed to Mainland causes:* 20% of large Mainland employers give HK\$500,000 or more to Mainland causes, compared with 4% of those employing fewer than 200 (and 11% for all respondents). A total 55% of big Mainland employers said they would consider devoting more philanthropic resources to Mainland causes (versus 38% for all respondents).
- *Impact of Mainland giving on contributions in Hong Kong:* of those companies with large operations on the Mainland, 25% said that giving in Hong Kong had been limited by giving on the Mainland (versus 14% for all respondents). A similar disparity existed when respondents were asked about future giving patterns: 25% of companies with big Mainland operations said that rising charitable contributions on the Mainland would lead to “moderate cuts” in resources available for philanthropic activity in Hong Kong.

Family-owned companies versus non-family owned

A total of 30% of respondents said they represented family-owned companies, with 70% representing companies that were publicly listed, or had diffused ownership (for example, through partnerships). There were rather few contrasts in the way these two cohorts responded to the questionnaire:

- *Motivating staff*: family-owned companies appear to be much less concerned to motivate staff through community involvement. Just 25% supported causes in order to motivate staff, compared with 69% of non-family-owned companies.
- *Size of giving in Hong Kong*: family-owned companies appear to contribute significantly more on average to Hong Kong causes. Over one third of respondents from family-owned companies contributed more than HK\$1 million a year, compared with just 22% of non-family-owned companies.
- *Formal organisation for philanthropy*: A significantly larger share of family-owned companies has a formal organisation to coordinate philanthropic activity – about 90%, compared with just 64% of non-family-owned companies. However, a full 80% of family-owned companies said the chairman was responsible for shaping philanthropic priorities, compared with 54% for non-family-owned companies.
- *Impact of leadership change*: perhaps unsurprisingly, 35% of respondents from family-owned companies said their philanthropic focus could change if the present company head were to change. This compares with just 15% for non-family-owned companies.

B2B companies versus B2C companies

The great majority of respondents were services companies, so most are focused on B2B services or B2C services. There appeared to be no statistically significant differences in their attitudes to philanthropic activity, in spite of the intuitive assumption that companies providing retail services to individuals would be more pre-disposed to make commitments to their local community.

However, there was one clear difference in respondents' reasons for community involvement. Among B2B companies, more than 50% identified tax and other financial benefits as a factor – the second most important issue after building a good local reputation. Among B2C companies, literally no respondents identified tax/financial benefits as a reason for community involvement.

The influence of Government regulation

Just under 75% of respondents said they were subject to Government regulation. Some interesting comparisons emerged from analysis of their responses, though statistical accuracy might be a problem, given the numerically small cohort of respondents saying they were not subject to regulation (just 16 respondents):

- *Strong identification with Hong Kong community:* companies subject to Government regulation appear significantly more committed to community involvement. While a quarter of respondents not affected by Government regulation said their company “exists simply to do business”, a bare 4% of respondents affected by regulation took a similar view. At the same time, three quarters of companies subject to Government regulation said they identified strongly with Hong Kong community, and actively encouraged staff to be involved – compared with just 31% for companies not subject to regulation.
- *Links with local communities:* while 39% of companies subject to regulation said they had active links with community causes in the immediate vicinity of their operation, just 6% of companies not subject to regulation have made the same commitment.
- *Scale of contribution:* fully 45% of companies subject to regulation donated HK\$500,000 or more in cash in 2000, compared with just 12% for companies not subject to legislation – a very large divergence that might be statistically significant. It could be that companies subject to regulation are simply on average large companies, and thus contribute more, but it is possible that the fact of regulation prompts those subject to regulation to contribute more to the community.
- *Attitudes to volunteerism:* Almost 60% of companies subject to regulation have specific staff designated to handle philanthropic activity, compared with just 12% of non-regulated companies. Similarly, a substantial 37% of companies subject to regulation have formal schemes facilitating voluntary activity, compared with 12% for non-regulated companies. About 55% of regulated companies provide matching funds to staff raising money for charity, compared with just 18% of non-regulated companies.
- *Contributing to Mainland causes:* A full 45% of companies subject to regulation said they would consider devoting more philanthropic resources to Mainland causes, compared with just 19% of non-regulated companies.

Local versus overseas-educated executive team

Approximately half of respondents said that more than 50% of their seniormost executive team had been educated overseas rather than in Hong Kong. In most contexts, this appears to have had no statistically significant impact on attitudes to philanthropy. There is one exception to this generalisation. When asked about priority focuses for philanthropic giving, locally-educated executive teams gave higher priority to poverty/disability/the aged (47% versus 19% prioritised this area), and to the environment (50% versus 23%). By contrast, overseas-dominated executive teams gave higher priority to sport (19% versus 3%).

Companies strongly supporting the Community Chest

Just 17% of respondents channel more than half of their philanthropic resources to the Community Chest. These respondents varied widely in terms of size, though half employed in the range of 50-500 staff. A large proportion provided B2B services (64%, versus 57% for all respondents), though this is unlikely to be statistically significant. Interestingly, most supported education as their priority area of philanthropic focus (73%).

Companies that give in kind as well as cash

A total of 18 companies specifically said they give in kind as well as in cash. There appears to be a common trait among these companies, in that they appear to have a stronger commitment to volunteerism than is typical for all respondents. A total of 55% have formal schemes in place to support voluntary activity (versus 30% for all respondents). Similarly, 55% give time off to staff involved in voluntary activity (versus 30% for all respondents). A total of 66% provide matching funds to staff raising money for charity, versus 45% for all respondents.

III. Key issues for Hong Kong from Local Research and International Comparisons

Understanding the “Third Sector”

Sorting through the overlapping terminology for charitable activity can be confusing and misleading. Terms like the “third sector”, the “not-for-profit sector”, the “voluntary sector”, the “NGO sector”, the “independent sector”, the “voluntary sector” and the “charitable sector” are used interchangeably as if they mean the same thing. Essentially, the “third sector” can be divided into four discrete segments. Two segments are focused on conventional charitable activity – doing good works intended to benefit disadvantaged groups or problem areas in a community. The other two segments are focused on special interest groups and political or community advocacy. The “Charities” segment is primarily concerned with giving activity, and providing direct help in a community (though it can be involved in advocacy activity to a limited extent to underpin support for its giving activity). The “Interest Group” segment is primarily concerned with articulating, representing and advocating the interests of particular defined groups or constituencies in the community.

Table •

The Third Sector	
Charities	Interest Groups
“Independent” charitable organizations, funded by members, individuals, companies and fees	Interest-group and member organizations which aim to serve the needs and interests of members
“Subvented” charitable groups, largely funded by Government agencies and involved in activity delegated by a Government agency	Political and community advocacy groups created to promote a defined cause or causes, to raise funds for that cause, and influence decision-making in favour of that cause

The role of not-for-profit advocacy groups

Much of what is described in the US as part of the “Third Sector” is clearly not rooted in charitable activity, nor aimed at directly tackling the community challenges of poverty, old-age, ill-health or disability. On the contrary, the majority of the “Third Sector” appears to be occupied by advocacy groups deeply involved in trying to influence the political process. These can be labour unions or professional associations, or they can be groups promoting the rights and interests of specific interest groups. By contrast, in Hong Kong, the “Third Sector” appears at present to be comparatively lightly populated by such advocacy activity – no doubt a symptom of Hong Kong’s distinctive historic circumstances, and the comparatively recent emergence of contested democratic politics.

In so far as advocacy groups are competing for the philanthropic dollar – whether this comes from a foundation, or an individual or a company – so they are competing with grass-roots or community-based charity groups focused on the local community problems of poverty etc... Such advocacy groups, given their focus on the political process, have a clear preference for funds being channelled through Government agencies where they are subject to political influence, and thus subject to their own influence. This biases many such organisations to prefer “big Government”, and higher levels of taxation.

By contrast, local volunteer-based charitable groups (many of which in the US have religious roots) have little interest in funds being channelled through Government agencies, and so prefer “small Government” and lower levels of taxation which leave more resources in the pocket of the individual. An exception to this general rule would be those charitable agencies – in particular those in the medical/hospital sector – which are significant beneficiaries of Government subventions.

There is an upsurge of criticism among conservatives in the US of the role of advocacy groups, and their liberal access to tax-favoured status. Organisations like the Capital Research Center (CRC) complain of the emergence of non-profit advocacy groups that “(see) it as their duty to promote more federal Government regulations, welfare and entitlement programmes in areas once considered to be the domain of families, charities, neighbourhood associations and other voluntary organizations¹ .”

The CRC insists that “lobbying public officials and electioneering is not charity”, and attacks foundations that act as “puppet masters for advocacy groups in the thick of politics.” It also warns charities against over-reliance on Government subventions, which creates “an unhealthy dependency on the whims of politicians.” James Glassman adds: “A Government that over-regulates, imposes high taxes and encourages welfare dependency does not compliment genuine charities – it crowds them out² .”

In Canada, much attention has been given to the need to differentiate between charities and “non-charitable public benefit groups”, and in particular to the differential tax treatment of them. For the Canadian Government, a key issue at the heart of the difference is the role of an organisation in advocacy and political activity.

According to Canadian law, a charity can educate, but cannot "promote a particular point of view or political orientation". Nor can they "persuade" indoctrinate, or issue propaganda". A charity "cannot have political purposes", but can devote a portion of its resources to political activities so long as they are non-partisan, are ancillary to the charity's purpose, and leave "substantially all" of its resources for charitable activity. "Substantially all" has been interpreted as 90%.

Voluntary organisations that indulge in advocacy can attract public support if they are not-for-profit, and if they are not promoting their members' interests, but should not be allowed the same tax privileges as a charity³.

On the Chinese Mainland, the same contrasts between charitable activity and advocacy exist, with Government attitudes rather different. Third Sector activity on the Mainland is both tightly supervised, and limited to community and welfare support. Local or international NGOs based on advocacy (like Greenpeace or Amnesty International) are treated with considerable suspicion, and it is likely to be some time before the Government relaxes from this position. There is a question over whether there is a role for political NGOs on the Mainland in current circumstances. Similarly, religious organisations are not regarded as voluntary organisations, even though in most societies these organisations account for a large share of voluntary and philanthropic initiatives. They are tightly controlled, and answer to a separate supervising body, the Administrative Bureau of Religious Affairs.

In societies like the US and the UK, “the Third Sector” and the NGOs – both charitable and advocacy-based – that populate the sector are regarded as a vital component of any vibrant democracy. Rather than being confined to voluntary and philanthropic activity, the large proportion of organisations in the Third Sector exist to lobby Government agencies, to represent business and other sectoral or special interest groups or to advocate for particular causes. They aim not just to win hearts and minds, but to influence Government decision making, and to ensure taxpayer funds are channelled into initiatives that they support.

Note needs to be taken in Hong Kong of this divide between charities and advocacy groups, and the debate that is being conducted – in particular in the US and Canada – over their differential treatment. The comparatively recent emergence of contested democratic political activity means that most of the “Third Sector” is at present occupied by charitable rather than advocacy groups.

This will inevitably change over time, but since there is at present little confusion in Hong Kong between political advocacy and community-based charitable activity, an opportunity exists for the Hong Kong Government to ensure a differentiation that can side-step the confusions that have in Canada, the US and the UK so controversially confused understanding of the “Third Sector”, and what concessions and privileges might be granted to charities in the pure sense, and the wide variety of other not-for-profit organisations.

The role of Government subventions

At the same time, however, many welfare-focused charities in Hong Kong today rely heavily on Government subventions, and the warnings from the debate in the US over the danger of charitable organisations developing unhealthy and often politicised dependency on Government agencies need to be taken into proper account as Hong Kong’s own political system develops. Since these Hong Kong subvented groups rely for up to 97% of their funds on Government agencies, they spend little time or energy describing to individual or corporate donors what they do, who they benefit, or how efficiently they use their resources.

Many examples of such subvented charitable groups exist in the US – in particular in the hospital sector, where Medicare and Medicaid insurance systems fund a very large proportion of hospital care and medication. It has been discovered that hospital costs and staff salaries are today significantly higher in the subvented “not-for-profit” sector than in private hospitals: because such charitable hospitals cannot channel profits to external shareholders, they instead plough surplus revenues from fees back into hospital facilities, equipment, staff salaries and so on. Paradoxically, private hospitals in the US are frequently more efficient, and less expensive than their subvented counterparts.

If subvented charities are in future to attract more support from either individuals or companies, they will need to adopt much higher levels of transparency and accountability to demonstrate high levels of efficiency in their operations. Websites will need to be built and brochures printed describing their activities. Proper reports and accounts will need to be prepared and made freely available. The staff of such charities will need to be prepared to answer detailed questions in public about why they spend their money as they do, who they benefit, and what proportion of their funding is consumed on salaries and administration, and what proportion is used for the direct benefit of charitable beneficiaries.

It is noteworthy that the large majority of “Third Sector” organisations on the Mainland are in reality organisations that have recently been hived off from Government organizations, and are in effect subvented agencies of Government. They are staffed by former Government bureaucrats, and rely entirely on Government agencies for their funds. Interestingly, officials on the Mainland appear to feel that such a dependence is not sustainable in the long term, and are encouraging these organisations to diversify their funding sources – seeking fees

for services, using volunteer resources more systematically, and raising funds from the public and private sector organisations. It will take some time for these suggestions to take material shape, but it provides a signal to Hong Kong charities, who might also be well advised to see their current heavy reliance on Government funding as unsustainable in the long term.

The poverty of data

All economies studied had major problems with data pertaining to the voluntary sector. Even in the US, where comparatively large amounts of data are available, confusions arising from a failure accurately to differentiate charities from voluntary or not-for-profit organisations render analysis and international comparison virtually impossible. In the UK, no national assessment of the charitable sector has been conducted since the early 1990s. Most of those involved in trying to understand developments in voluntary activity and the third sector appear to rely on data gathered by the Charities Aid Foundation. Canada's National Survey of Giving, Volunteering and Participating provides a meaningful attempt to breach this data gap. However, even this major effort (the survey is intended to be conducted every three years) has shortcomings that will need to be remedied over time. It makes no effort to capture the corporate contribution to voluntary and philanthropic activity in Canada, and so for the purposes of the current study is virtually silent. Such a survey might be considered for Hong Kong as a means of filling the "data vacuum" that currently exists.

The only internationally comparable source of data on company giving is the country's tax authority, which records the tax relief claimed by companies as a result of tax-deductible charitable donations. Such comparisons are virtually useless, however, since companies only report those sums for which tax relief can be claimed. In the US, where a company can only claim tax relief on charitable giving within the US itself, no company bothers to report giving outside the US. In Hong Kong, where companies pay no capital gains tax, gifts in the form of property or shares would never be recorded. Since tax relief can be claimed only up to 10% of profits, nor would any sum above 10% be recorded. (see later section for detailed examination of the impact of tax systems on giving behaviour).

Even in countries where extensive data are gathered on companies' philanthropic contributions, there is considerable confusion over what companies really contribute to the community. Some of the problems in measuring and reporting corporate community involvement include⁴:

- too few companies produce a figure valuing their total community contribution (including giving in kind, and volunteer activity, rather than just the cash contribution);
- those that do, do not use a consistent methodology;

- figures are not verified independently;
- where a figure for contribution is available, too often it is only a total – we are seldom told how much is devoted (for example) to improving educational standards or protecting the environment or supporting small businesses; how much is cash and how much is in-kind, especially staff time and skills;
- published figures only measure the input cost, not the outputs achieved, still less the ultimate impact on the company and the community beneficiaries;
- often data only cover the home country of a company, not the global spread of its operations;
- few standards are available to judge good practice and best examples.

This list presents a formidable and challenging agenda for action by companies, and underscores the challenge that exists in making meaningful international comparisons of data.

As noted at several points in the report, this paucity of accurate or comparable data makes it difficult to make any accurate judgments about how corporate giving levels in Hong Kong compare with corporate giving in other parts of the world. Even if data were adequately gathered in Hong Kong, such comparison would be difficult. Since there is so little data available in Hong Kong, not even tentative comparisons can be made with any empirical confidence.

Hong Kong differences – providing succour, not driving change

Analysis of the “Third Sector” in the US, Canada and the UK reveals that a large part of this sector is accounted for by advocacy groups that exist to raise funds to pursue political causes or the interests of group members. Such advocacy groups are an integral part of these countries’ democratic systems and are encouraged as effective mechanisms for channeling – and understanding – public opinion.

Hong Kong’s “Third Sector” has by tradition (see introductory chapter) been focused primarily on providing succour to the disadvantaged. Those who have become successful in their communities are obliged by family, clan and religious imperatives to return to their community a proportion of the fruits of their success. While this study did not offer the opportunity for systematic study across other Asian societies, it is understood that similar circumstances prevail elsewhere in Asia.

As Hong Kong’s political system has embraced many of the democratic institutions of the west, and has been increasingly subject to views and opinions prevalent in western societies (not least among returning migrants from Canada and north America), so it has become home to a vibrant and fast-growing advocacy sector. While this development is recent, and has its roots in activism “imported” from the democracies of the west, there can be no doubt that the role

of advocacy groups in Hong Kong's third sector will continue to grow and – as already noted – compete with conventional charities for the philanthropic dollar.

At present, it is probably accurate to argue that most corporate philanthropy is focused on conventional charitable activity. In so far as the Government is anxious to encourage companies to make a more significant and focused contribution to community welfare, this suggests that the opportunity exists for Government, and for those charities involved in community welfare work, to “lock in” company philanthropic activity. Simply making the distinction clear between the two areas of not-for-profit activity could encourage companies to prioritise traditional charitable activity. Distinguishing between charities and advocacy groups in terms of tax treatment and other privileges might also provide incentives for companies to prefer traditional charities.

Guesstimates of total corporate giving in 2000

As already made clear, there is no reliable means currently available to measure either individual or corporate giving in Hong Kong. IRD statistics, recording HK\$850 million in charitable giving reported for purposes of obtaining corporate tax relief, provide a highly conservative baseline, but to move from this to “guesstimate” true levels of current giving is a task fraught with uncertainty. Various sources in the US estimate that corporate giving amounts to approximately 1% of company profits year by year. In the UK, the Charities Aid Foundation estimates that giving among UK companies amounts to about 0.2% of company profits. This is not dissimilar from the proportion implied by data provided by Hong Kong's IRD.

If one attempts independently to construct such a guesstimate, it is first of all necessary that giving in kind, and giving in the form of volunteer activity, is wholly ignored.

The Golin/Harris survey provides some possible routes to a “guesstimate”. However, since respondents to the survey were not asked to provide exact donation sums, but to identify giving within a particular range, it was impossible to estimate with accuracy how much philanthropic giving the respondents account for. The lowest possible (assuming respondents gave a sum at the very bottom of the choice range) would be HK\$20 million, and a “mid-range” estimate would be HK\$43 million. However, this would be a gross underestimate of total giving by the survey respondents (one respondent alone gave more than this sum).

Table •

Employment in Hong Kong by size of company		
Size of Company	No of Companies	No of Employees
1 – 99 staff	304,000	1,636,000
100 – 999 staff	2,100	453,000
1,000 + staff	86	251,000
Approximate total working in companies		2,340,000
Self-employed, part-time, etc...		1,060,000
Total in employment		3,400,000

* *HK Monthly Digest of Statistics, Jan 2001*

If those companies in the survey that contributed more than HK\$1 million per year to philanthropic causes are excluded, then the average company contribution was HK\$220,000 per year. If it were to be assumed that these respondents are typical of the 2,100 companies in Hong Kong that employ more than 100 staff⁵, then it would be possible to “guesstimate” that these 2,100 “middle range” companies currently contribute HK\$450 million per year to charitable causes. Even without any further contribution from the very large majority of smaller companies in Hong Kong (employing under 100 staff), but recognising contributions of HK\$1 million to HK\$45 million from the 80-odd companies in Hong Kong employing more than 1,000 people, corporate contributions already amount to the HK\$850 million in approved charitable donations disclosed to the Inland Revenue Department (IRD) in 2000 for the purpose of claiming relief from profits tax. It must therefore be assumed that much charitable giving currently occurs without donating companies declaring this to the IRD for tax relief against profits tax.

Using a separate method to “guesstimate” total corporate giving in Hong Kong, if one assumed that the respondents did indeed account for about 3% of all workers in Hong Kong, and their companies together contributed at least HK\$43 million between them in 2000, then total corporate giving in Hong Kong would amount to about HK\$1.4 billion – 40% above the sum declared to the IRD for tax relief purposes.

It is perhaps worth noting that if half of Hong Kong’s registered companies donated just HK\$10,000 apiece each year to charitable causes, then they would together contribute about HK\$1.5 billion. Since this is likely to be a conservative average, then it again becomes clear that much corporate giving in Hong Kong currently goes wholly unrecorded.

Corporate giving in perspective: comparison with personal giving

The story in the UK, Canada, the US and Hong Kong is approximately the same: individuals provide the majority of support to charities, while companies provide

a comparatively modest amount – rarely above 10%. Even in the US, for example, corporate philanthropy is by far the smallest component of philanthropic support for not-for-profit organisations. According to the American Association of Fundraising Counsel (AAFRC), in 2000 the total of US philanthropic giving was \$203.45 billion, broken down as follows:

Table •

US Charitable Contributions, 2000		
<i>Source of giving</i>	<i>US\$bn</i>	<i>Approximate %</i>
Individuals	152.07	75.0
Foundations	24.50	12.0
Bequests	16.02	7.8
Corporations	10.86	5.3
Total	203.45	100

Source: AAFRC Trust for Philanthropy/Giving USA, May 2001

While figures for corporate giving tend to be under-counted – for example the figures used are largely cash, and giving of time and in-kind is often not counted at all or not counted accurately – one can be forgiven for concluding that if companies stopped giving, the impact on the social and cultural life of the US would not be very significant and that the non-profit sector would go on pretty much as usual.

Experience outside the US appears to be similar. A recent report from the John Hopkins University *Comparative Nonprofit Sector Project*⁶ points out that across a 19 country average (mainly Western industrialised countries) 49% of the income of the voluntary sector comes from fees earned for services. Another 42% comes from public sector support – the latter being increasingly just another form of fee income as Governments contract out national and local services to the non-profit sector. Only 11% of non-profit revenues come from companies, individuals and foundations together. “There is no reason to expect this figure to increase in the near future,” the project report says.

As David Logan, from the UK’s *Corporate Citizenship Company*, said in a recent paper: “This is not a bad thing. To flourish and be truly independent, non-profits need multiple streams of income from a variety of sources supplemented by a wide range of volunteer effort. However, philanthropy on average accounts for only about 11 per cent of revenue. The idea that non-profits depend on fundraising is long dead⁷.”

However, it would be wrong to dismiss the importance of corporate contributions to the welfare of a community just because numerical measures of cash contributions imply their importance is minimal. Such data ignore the mobilising effect across large numbers of staff of a company choosing to support particular charitable causes. Considerable volunteer resources can be mobilised in support

of such cash support, greatly amplifying the cash sum alone. In addition, while individual giving in aggregate accounts for an immense share of total giving, the sums given by each individual tend in each separate instance to be small. By contrast, when companies give, they tend to give in substantial tranches, making a large and visible impact wherever they choose to give. Corporate giving can therefore act as a powerful catalyst for further individual giving because of the publicity associated with their acts of giving. In short, corporate efforts could undoubtedly be greater, and can have a potent catalytic influence on individual giving, but it would be optimistic to forecast that they will in any significant way reduce the role of Government agencies, reduce the importance of individual giving, or reduce the fund-raising pressures that perennially face not-for-profit organisations.

Do Hong Kong companies give less: comparing different channels of giving?

International comparison of available data from tax authorities suggests that Hong Kong companies give around one fifth of what US companies give, but about the same as what UK companies give. However, as already discussed, such comparative data are at least misleading, and probably useless.

In many countries, including the UK and the US, business organizations call upon companies to contribute to charities a proportion of pre-tax profits – 0.5% in the UK, and a more ambitious 1% in the US and Japan. This “standard” comes in the UK from the Per Cent Club, which was set up in 1986 by the Prince of Wales and operates under the auspices of Business in the Community⁸. In Japan, the aim is espoused by the Keidanren (Japanese Federation of Economic Organizations), which has a One Per Cent Club. The UK initiative brings moral suasion to bear on members of the Per Cent Club based on two measures - the company’s contribution as a percentage of pre-tax profit, where the minimum is defined as 0.5 per cent rising to 1.0 per cent by the year 2000, and the percentage of dividends, where the minimum is currently 1 per cent.

There is no equivalent “club” in Hong Kong. Nor is there evidence that even Hong Kong’s largest companies have up to now been willing to make such a precise and measurable long-term commitment. It is possible, however, that an attempt could be made to encourage a select group of leading companies to commit to such a principle.

Since such a large proportion of Hong Kong companies are family-owned or controlled, so there is a tendency for these families to channel their charitable giving privately, or through independent family foundations. Few local companies have corporate foundations (the tax regime does not incentivise the creation of such institutions). As such, it is possible that Hong Kong companies are used less extensively by the SAR’s business elite as a channel for their giving activity. Giving by the business community as a whole could be as high as – or higher than – giving in western economies, but as long as it is channelled through

family or individual hands, the statistical perception is likely to be that Hong Kong companies give less.

The 1997 Transition: the impact on corporate giving

The Golin/Harris survey suggests that the 1997 transition has had a negligible effect on giving activity. Clearly, corporate giving has fallen over the past four years, but this is attributable to the Asian financial crisis rather than the political transition. The fact that Hong Kong continues to be an attractive location in which to do business, and that the Mainland economy continues to open and offers increasing opportunities to companies using Hong Kong as an operational base, means that the corporate base is growing, and company profitability is improving. Both of these factors will enhance corporate giving activity going forward.

Diversion of giving to the Mainland

The limited evidence available on the Mainland suggests that local Hong Kong and multinational companies active on the Mainland will over time spend increasing sums in building a credible community profile in their key Mainland markets. However, there appears to be no indication that this would in its own right affect either positively or negatively the sums spent on philanthropic activity in Hong Kong. Those executives directly questioned on this issue during the course of the Golin/Harris survey of Hong Kong-based companies all insisted that the two markets were seen as distinct, and that their giving activity in Hong Kong had not been affected in any way by the growth of activity on the Mainland.

Giving activity tends to be driven by a company's seniormost headquarter staff, and tends to be focused where companies have a high critical mass of employees, and a substantial market share to protect or promote. While Hong Kong continues to grow as a headquarter base, so this is likely to focus giving priorities.

Intuitively, corporate philanthropy is likely to be concentrated in markets which are in the process of being opened up, where a company's profile, its market share and presence is being built up. It is likely to be concentrated in markets where Government decision-makers have a big influence on a company's prospects. It is also likely to be concentrated in communities where poverty and other social problems are extreme. By these three criteria, Hong Kong-based companies with substantial interests in growing their businesses on the Mainland ought to be giving larger sums to causes on the Mainland, and this ought to be at Hong Kong's expense. Respondents to the Golin/Harris survey contradicted these intuitive assumptions. Those that are building businesses on the Mainland said they were contributing more philanthropically, but insisted that this was not at the expense of philanthropic activity in Hong Kong. One clear inhibitor is the fact that it remains difficult to structure a giving programme on the Mainland⁹.

Channels of giving contrasted

Patterns of corporate giving in the US are powerfully influenced by the US tax regime. Both corporate and individual foundations have been established by the thousand to shape and channel giving programmes. Gifts in the form of property and shares are common because of the capital gains tax relief associated with these forms of giving.

Since Hong Kong's tax regime is wholly different, it would be mistaken to believe that general inducements to establish foundations, or to incentivise gifts in the form of property or shares, are likely to be successful. A substantial body of analysis in the US also suggests that institutional arrangements may alter the form of giving, but not the total amount that companies or individuals give. This is much more reliably encouraged by economic growth, corporate profits growth, and the accumulation of individual wealth. Giving activity in the US has apparently remained remarkably constant, at around 1.9% of GDP, for several decades, impervious to significant changes in tax rules over time.

This would suggest that Government success in steering Hong Kong along a successful economic course is likely to be the largest single stimulant to enhanced corporate giving activity over time.

Multinationals versus local companies: priorities contrasted

Giving activity by locally owned Hong Kong companies and by SMEs appears to be poorly correlated to giving activity by multinational companies operating in Hong Kong. Companies with businesses largely focused on the Hong Kong market raise and lower giving activity more closely in line with economic trends in Hong Kong. Multinationals operating across many countries are by contrast less exposed to Hong Kong's local economic cycles, and so tend to maintain giving programmes that are more stable over time.

Local companies, even large local companies, tend not to have permanent institutions in place to manage giving activity. Instead, giving priorities will be shaped by a tight executive team, and will often be determined by their personal preferences. By contrast, multinational companies tend to have permanent institutions in place to manage giving activity. Giving priorities will be determined at headquarters, and local giving programmes will be structured relatively tightly around those remotely determined guidelines.

A multinational company might be massive globally, with substantial philanthropic funds available to it, but if its operations in Hong Kong are comparatively small, very little is likely to be spent within Hong Kong. Paradoxically, this "bias" away from Hong Kong is likely to be particularly strong if the company prioritises problems associated with poverty and other social welfare issues, since Hong Kong is properly regarded as a comparatively

wealthy community: resources are likely to be focused instead in countries like China, India etc...

As a result, the segment of the Hong Kong business community that is on balance likely to be most responsive to Government appeals to enhanced philanthropic support for welfare-related problems is medium and large local companies.

Factors influencing giving activity, and corporate giving priorities

Economic growth and the role of tax rules

No economy so clearly illustrates the role played by tax rules in channelling philanthropic activity both for individuals and for companies than the US. Patterns of giving are very widely influenced by IRS determinations on tax standing. The proliferation of private and corporate foundations is an obvious consequence of the structure of tax rules. However, there appears to be strong evidence that changes in the tax system over the past three decades – whether raising taxes or lowering them – have done little to influence the overall **quantum** of giving, either by individuals or companies, which has remained steady at around 1.9% of GDP¹⁰.

This suggests that, by contrast, the pace of economic growth has had a direct impact on the quantum of philanthropic giving. As Reynolds notes: “Real growth of giving depends on real growth of the economy, with tax considerations evidently playing an almost invisible role over time (except in the timing and form of gifts¹¹.”

If this is right, then the late-1990s boom in the US economy, which climaxed in May 2000, may mark a high-watermark for philanthropic giving in the US, with a decline likely following the contraction of the economy and the erosion of private wealth and corporate profits. What the media have dubbed the “new mega-foundations of the west” – best illustrated by foundations created by Bill Gates, and the Packards – may be particularly exposed to contraction.

Tax incentives

Where tax incentives exist, then it is clear that large numbers of individuals and companies exploit these tax-efficient mechanisms in channelling their philanthropic activity. However, there is much less clarity or agreement on whether tax incentives in any material way raise the level of philanthropic activity. Clearly, as the general levels of individual or corporate taxation get higher, so the greater is the importance of maximising the impact of charitable giving by using tax-efficient means to channel donations.

Research into this issue in 1999 in the UK by the Inland Revenue Department, the Charities Aid Foundation, and the National Council for Voluntary Organisations found that “givers are more guided by the cause they are asked to support than by considerations of tax-effectiveness¹².” While 49% of respondents felt that it was “important or very important to give donations that are tax-effective to charity”, only half of these (23% of respondents) felt that it was “important or very important to them to be able to reduce their own tax bill by giving”.

The UK tax system and its impact on giving

By contrast with the US, where a conviction seems to be emerging that the tax system shapes the pattern of giving, but not the quantum, the political view in both the UK and Canada appears to be that tax changes can incentivise both individual and corporate giving activity. In April 2000, the Blair Government in the UK abolished the ceiling on income tax relief on payroll giving for individuals, and on corporate giving. It is too early to discover whether these changes have stimulated the quantum of individual or corporate giving, though political and media commentators appear to believe a stimulus has resulted.

The payroll giving arrangements have without doubt affected the pattern of individual giving. Because companies pay an individual’s tax month by month on a “pay as you earn” (PAYE) scheme, no individual can sign up to a payroll giving scheme unless his or her employer signs up. At present, fewer than 6,000 UK companies have such schemes, greatly hindering wider individual participation.

If payroll giving were to be considered in Hong Kong, then the fact that individuals complete their own tax returns would preempt this problem, and facilitate community-wide giving via a process of election in every individual’s tax return. The Hong Kong disadvantage is that there is no mechanism for a company to encourage participation in payroll giving (this has quickly emerged in the UK, since there are economy of scale advantages for a company to encourage widespread participation in a payroll giving scheme once it has put such a scheme in place), nor is there a mechanism for companies to match individual payroll donations, which has been encouraged in some companies in the UK.

Also noteworthy in the UK is the emergence of a number of specialised companies devoted to help individuals to pick charities under their payroll giving schemes (UK Fundraising, Charity Choice and Community Web, for example), and of organisations like the Charities Aid Foundation founded to administer and channel funds raised via payroll giving schemes.

Priority sectors for company giving

Research in the UK by Hargreaves and Christie¹³ indicates that neither companies nor Government agencies are good at, or interested in, tackling what they call the “wicked problems” – chronic poverty, drug abuse and persistent educational underachievement. Voluntary groups play a unique role in ameliorating such problems and Government subventions to voluntary groups may be indispensable here, in spite of the curb on the independence of charitable groups when they become heavily reliant on Government funds.

As is clearly demonstrated by the Golin/Harris survey in HK, and data from the US¹⁴ and Canada¹⁵, as well as the work of Hargreaves and Christie, company giving tends to be focused on training, education and the environment. By implication, the Hong Kong Special Administrative Region (SAR) Government is likely to be more successful in inducing enhanced corporate giving if it focuses on these sectors. Those bureaus responsible for other areas are likely to need highly imaginative initiatives to succeed in attracting substantial corporate support for their community programmes.

Philanthropy as a private and personal matter

Many executives continue to believe that the business of a company is to make profits for its shareholders. Barnett Baron, Chairman of the Asia Pacific Philanthropy Consortium, referred in a 1997 article¹⁶ to a Hong Kong billionaire who told him: “Corporate philanthropy is stealing from your shareholders. A corporation should maximise profit.” That same billionaire donates hundreds of millions of dollars a year to charities or needy causes, but believes such activity is a profoundly personal matter – part of the traditional obligation of a successful Chinese businessperson to demonstrate benevolence towards others.

That anonymous Hong Kong billionaire is in good intellectual company. David Henderson, the highly respected former chief economist of the Organisation of Economic Cooperation and Development (OECD), has recently raised serious questions about the value or motivation of companies bringing “corporate social responsibility” to the heart of their corporate ethos¹⁷. A leading economic commentator in the Financial Times also recently commented: “The role of well run companies is to make profits, not to save the planet¹⁸.”

Many senior executives in Asia – in particular Chinese business executives at the head of family-controlled companies – share this view. They believe strongly that they have an obligation to give back to the community some of the wealth that their success has generated, but at the same time believe that this philanthropy is a private and not a corporate matter.

But whatever the reservations of FT commentators, OECD economists, or Hong Kong billionaires, the reality is that this “traditional” view is being eroded. Increasingly, companies have come to discover that strong civic commitment and business success appear to go hand in hand, and a large number of companies and organizations representing corporations have drawn together a considerable body of evidence to demonstrate how focused corporate citizenship can not only do good in the community, but can also boost the performance of the donor company.

Public and Third Sector scepticism about Corporate Motives

The clear principle priority of all companies is to produce goods and services that are competitively but profitably priced and appeal strongly to consumers. Only such successful companies are over the long term going to create secure and well-paid jobs for its employees, to generate wealth for its shareholders, and grow to become a meaningful member of the community or communities in which it is based.

This was clearly recognized in January 1999 at the World Economic Forum in Davos, when UN Secretary General Kofi Annan floated the idea of worldwide pact with business, to be called the “Global Compact”. In taking up this Compact, a group of international businesses coordinated by the Paris-based International Chamber of Commerce (ICC) identified three key considerations for business:

1. The key contribution of businesses should be to create wealth and jobs, which together help to defeat poverty.
2. Companies should not be expected to take on responsibilities “outside their own sphere of activity” – i.e. those areas that are “properly the preserve of Government”.
3. The capability of companies to create wealth and to meet their responsibilities to their customers, employees and shareholders is indispensable to the fulfilment of the Compact.

In clarification, Richard McCormick, President of the ICC, emphasised: “Businesses cannot be charities. But they can learn that long-term success depends upon constructive partnerships with the communities – and nations – in which they do business. ... (They) must balance a number of social goals, not the least of which are creating goods, services, jobs and profits for the people of the world. Without those things, a world with today’s population would be neither safe nor pretty¹⁹.”

The message here is clear. While companies can and must contribute to the communities in which they operate – and contribute to their own long-term self-interest when they do so – they cannot do so unless they operate successfully – which means profitably. Only when they are meeting their fundamental goals of

creating goods, services, jobs and profits can they be in a position to contribute positively in support of the “Third Sector” to building a strong civil society.

This reality has led to skepticism among many in Government and the Third Sector over corporate motives when they talk about corporate philanthropy. Noting a recent US\$11 million donation by Nokia, the telecommunications group, for teaching packages for children with learning difficulties, a recent Financial Times article²⁰ queried “whether behind it lies a subtle ploy to use good works to strengthen its marketing position among the younger generation.”

The Canadian charity, Civicus, noted in a recent report encouraging stronger links between the voluntary sector and companies: “There are many skeptics within civil society that question whether engagement of the business sector can yield true progress or whether it simply co-opts civil society organizations²¹.”

In short, many in the voluntary sector suspect the motives of companies in making philanthropic contributions, convinced that many simply see charitable giving as part of a self-serving marketing strategy: “Much more needs to be done before hardened campaigners can be convinced that enlightened self interest is delivering results in a way that benefits society,” noted the Financial Times correspondent in the above article²².

It is arguable that this position is progressively softening, however. As Governments seek to limit their involvement in the direct provision of welfare-related services, and as charitable organisations assume an ever-increasing role in the nurturing of a “civil society”, so they have generally begun to nurture appropriate links with companies willing to make significant philanthropic contributions. *Civicus* noted: “We believe that adversarial relations will continue to play a role in the future, but that we must also tap a broader range of business-community interaction, not least of which is self-interest, to achieve the broadest possible improvements²³.”

Just as this reality is clear in Canada, the US or the UK, so too is it likely to be true in Hong Kong.

Public expectations of the modern company

The “Millennium Poll”, a 1999 landmark study conducted by Environics International Ltd in cooperation with The Prince of Wales Business Leaders Forum and The Conference Board, confirms a rising trend among consumers, companies and institutions to align their purchasing decisions with social criteria, particularly those related to a company’s ethical standards and to the role a company is seen to play as a corporate citizen.

According to the "Millennium Poll," which surveyed 25,000 citizens in 23 countries (six of them in Asia):

- 90 percent of respondents believe that companies should focus on more than profitability; rather, they should recognise they are “citizens” in a community, and should act as such;
- 60 percent said that they form an impression of a company based on its social responsibility (defined as regard for people, communities, and the environment);
- 40 percent responded negatively to, or said they talked negatively about, companies that they perceived as not being socially responsible; and
- 17 percent reported that they actually avoid buying products of companies they perceive as not being socially responsible.

With these growing trends, corporate philanthropy has become increasingly linked internationally to strong business performance, and Hong Kong is unlikely to prove an exception.

Company anxieties about “standing out” – the “tall poppy syndrome”

Many companies believe they should say as little as possible about their community and philanthropic involvement, for fear that drawing attention to themselves will provoke negative public attention. This greatly compounds difficulties in gathering accurate or comparable data. This “tall poppy syndrome” is driven not only by a concern that certain shareholders might protest that funds otherwise available to be returned to them in the form of dividends are being used on “good deeds”²⁴, but also by anxiety that attention focused on their philanthropic activity will only attract potentially counterproductive skeptical media attention. The British power company Shell has in particular attracted such skeptical media attack, with its ambitious community commitment to promoting sustainable development derided by journalists focused on some of its operations in Africa. In the case of Shell²⁵, this has simply prompted the company to redouble its efforts to demonstrate that it is indeed committed to acting in a socially responsible way, but many companies respond to such dangers by retaining a discrete cloak around their philanthropic activities.

It is clear that a very large proportion of business leaders in Hong Kong share this anxiety over publicity around their philanthropic activity. This is less likely to be a matter of concern over shareholder criticism. More likely, these business figures feel it is immodest to talk openly about giving activity. This is a Chinese view of the world that is unlikely to change any time soon. The implication for the Hong Kong SAR Government is clear: initiatives likely to draw a spotlight onto an individual or his or her company might be counterproductive. By contrast, initiatives which encourage a group of business leaders or their companies to join forces in a charitable initiative might bear much richer fruit.

The link between civic commitment and corporate success

An increasing number of companies have reached the conclusion that a single-minded focus on profit is extremely short-sighted. They have begun to recognise in increasing numbers that they exist as members of a wider community, and that the health and vitality of that community contributes strongly to their own potential to succeed. They have also recognised that corporate giving makes strong business sense. Research in markets around the world concludes that companies seen as ethical in their behaviour and significantly committed to the communities in which they operate perform stronger than competitors, and find it easier to attract capable and committed staff.

A 1999 study of 300 large corporations, cited in *Business and Society Review*, reveals that firms with higher philanthropic giving have significantly higher rates of return on assets or financial investments. This is further substantiated by a longitudinal study by Harvard University²⁶ wherein “stakeholder-balanced” companies showed four times the growth rate and eight times the employment growth when compared to companies that are “shareholder-focused”.

Studies in markets across the world continue to reveal that companies with strong corporate social responsibility find it easier to recruit and retain employees, particularly in tight labour markets²⁷. A 1997 study of 2,100 MBA students in the United States conducted by *Net Impact* found that slightly more than half would accept a lower salary to work for a socially responsible company. Meanwhile, according to a *Council on Foundations* report quoted by David Logan²⁸, employees involved in their company’s community activities were shown to be 30 percent more likely to continue working for that company and to help it achieve success.

Measuring the effectiveness of charities, and giving programmes

In the US, the Third Sector is a huge and highly professionalised sector, with college courses paving the way to respectably rewarded careers. Institutions proliferate offering training for charities in how to attract funding, how to structure volunteer programmes, how to benchmark activities and measure the impact of their work. At the same time, many companies have dedicated professionals focused on CCI (corporate community involvement) or CSR (corporate social responsibility). Organisations like the Conference Board and the Council on Foundations provide training on how to structure giving programmes, and how to measure the benefit being derived – both in the community, and within the company.

Such professionalisation sits uncomfortably with many in other countries who admire the grass-roots amateurism and volunteer commitment associated with traditional charitable activity. However, it has made charitable organisations more efficient in using the resources gifted to them, and better at measuring the

good being done. As companies have sought evidence from charities of their effectiveness before providing financial support, so this has also led to higher levels of transparency, and more public disclosure of what charities do, and where their money goes.

Along with this professionalisation, the foundations focused on setting best practices, measuring the impact of giving and so on (like the Conference Board, the Council on Foundations, etc...) have provided valuable umbrellas for focusing corporate attention on philanthropic activity and explaining its value both in community and corporate terms. By bringing leading companies together to set best practices, and to commit to matching them, such organisations have encouraged many thousands of smaller companies to focus on their role in the community and the value of corporate giving to the bottom line. By providing methods of measuring the value of corporate giving, they have bolstered the legitimacy of such activity to shareholders, who have often in the past seen every dollar given away to charity as a dollar diverted from their dividends, or not directly reinvested in the growth of the company.

Programmes in the US which have enhanced the transparency of charities and helped charities to demonstrate their effectiveness have without question made it easier for companies to identify charities of choice, and justify giving programmes to their staff and shareholders. At the same time, programmes like those offered by the Boston College Center for Corporate Community Relations²⁹, which provide means of setting up well-structured giving programmes, and of diagnostic tools that measure the value of those giving programmes over time, give companies confidence and comfort in committing to corporate social responsibility programmes.

A similar stimulus to best practice and broader corporate participation comes from the various awards competitions arranged by umbrella organisations concerned with philanthropic activity. Good examples (but certainly not the only ones) are the Conference Board's "Best in Class" awards, set up in 1991 to recognise companies for their "leadership and commitment of resources and talent to improve pre-college education"³⁰, and the National Society of Fund Raising Executives' annual "Outstanding Philanthropic Corporate" award³¹.

In the UK, two organisations in particular have emerged devoted to improving ways of measuring the value and impact of philanthropic activity – London Benchmarking, set up initially by six leading UK companies at the heart of the Corporate Citizenship Company, and the Business Impact Review Group, founded by Business in the Community. Like similar organisations in the US and Canada, these provide materials, methodologies and even training for companies to help them to set up effective giving programmes and to measure the impact of giving activity, both in terms of community benefits and in terms of benefits to the company.

As in the UK, where London Benchmarking has begun to focus on ways of measuring the size and value of company contributions to the community, so a similar set of initiatives has been undertaken in Canada by the Canadian Centre for Business in the Community. The Voluntary Sector Initiative has also begun to focus on standards of accountability for voluntary groups, based on the recognition that if voluntary organisations seek broader public and corporate funding, they must at the same time report more clearly and consistently on how effectively they use their resources.

The past decade has seen the emergence of a number of “umbrella” organisations in Canada tasked to coordinate not just across the voluntary sector, but also across the business sector. Such umbrella groups not only provide focus in consultation with Government agencies, but also provide critical resources in the form of benchmarks for best practices, training in best practices, standardised IT and management infrastructures, and data on critical trends.

Such umbrella groups are largely absent in Hong Kong at present. Much can be gained by encouragement of such umbrella organisations, though the lead probably needs to come from the voluntary and corporate sectors themselves. The message for Hong Kong is clear: if voluntary organisations are to assume a larger role in support of important community initiatives, so they will need to recognise the importance of enhanced transparency and disclosure, and clear demonstrations of the value and effectiveness of their contribution.

Government Funding and Leadership³²

The Canadian Government has provided over the past decade a valuable template for building trust and collaboration between Government agencies and the voluntary sector. Headway would probably not have been made without concerted Government commitment, and focused leadership. Its Voluntary Sector Initiative deserves close examination as an excellent example of concerted and sustained Government-public dialogue and collaboration. The “Joint-Tables” process, which brought Government officials and voluntary sector representatives together as equals in a number of policy review areas, appears to provide a rare example of successful consultation and collaboration. It reduced suspicions on both sides, and enabled a degree of collaboration that contributed strongly to building new and practical foundations for trust going forward.

The process was undoubtedly costly, and time consuming, but was arguably an investment of time and resources that was worthwhile not just to rebuild trust, but also to mobilise more effectively the resources and strengths of charities and voluntary organisations, and the millions of volunteers that drive them. The end products of the process, in the form of a C\$95 million budget for building the role of the voluntary sector, and a Reference Group of Ministers for the Voluntary Sector, give the voluntary sector both the resources and the political clout to enhance their contribution significantly going forward. While the “Joint-

Tables” process was uniquely Canadian in its approach, the principle of close and long-term consultation is worth closer examination.

The insight for Hong Kong could be that headway is likely to be slow unless the Government plays a key role in leadership and facilitation. This is likely to require significant commitment from the Government in the form of executive attention and funds. Canada’s Reference Group of Ministers on the Voluntary Sector, headed by the Deputy Prime Minister, illustrates clearly a) how important it is to have strong backing for reform at the highest level of Government leadership, and b) how important it is to ensure inter-bureau coordination and collaboration.

IV. Conclusion: The Four key “deliverables”

The pattern of corporate giving in Hong Kong

- There is no reason to believe that the overall balance between individual and company giving in Hong Kong should contrast sharply with other parts of the world. While accurate data are not available, this would suggest that company giving (in cash terms) accounts for around 10% of all giving – at least HK\$850 million, but up to HK\$1.4 billion.
- Having said this, there are some clear distinguishing characteristics of giving activity in Hong Kong – the product of the SAR’s colonial roots, Chinese cultural and community traditions, and the significant role of a large number of global multinationals.
- The substantial number of family-owned companies in Hong Kong results in a blurring of the line between individual and corporate giving. Many family owners of businesses give substantial sums on an individual basis, though it is moot whether such giving should be defined as corporate or individual. In so far as there is little staff input in such companies into the size or focus of such giving, then it should reasonably be regarded as individual giving.
- Hong Kong has a substantial number of “super-rich” business figures who give significantly to the community, largely through discrete private channels, or through family or company foundations.
- The large number of multinational companies in Hong Kong creates a distinct “community” as far as philanthropy is concerned. Giving policy is normally dictated from the global headquarters, and is often driven by a corporate foundation. Such companies tend to be generous contributors in general, but will give little in Hong Kong (which most regard as a comparatively wealthy community) unless they have very substantial numbers of employees in the SAR. Unlike most local companies, giving activity in Hong Kong is often driven by a desire to motivate and retain staff. Giving patterns are more stable than those of local companies, and are less vulnerable to economic volatility in Hong Kong or Asia. While the quantum of giving tends to be modest, they can provide examples for best practice and a structured, professional approach to giving activity.

- Most companies in Hong Kong are SMEs, with the average company employing just 6 staff. It is noteworthy that while on average in the US 30% of all companies make philanthropic contributions, 90% of large companies do so. It thus follows that SMEs give little in cash terms, and rarely have structured giving programmes, but remain a potentially important source of giving in kind, or in terms of volunteer contribution. Owners of SMEs can be substantial givers as individuals. SME giving levels tend to be volatile, and are closely linked with business and economic trends.
- Overall, as in other economies, profitability is the most powerful determinant of giving levels. Strong economic growth and sustained rises in profitability incubate significant rises in giving activity. Inevitably, the 1997-98 regional economic crash punctured profits, and had a powerful negative impact on giving activity.
- However, extremely few Hong Kong companies make any formal commitment to give a certain proportion of after-tax profit to charitable causes, or even to use such a percentage as a target.
- Many Hong Kong business leaders may be wealthy, but wealth is comparatively recently accumulated. Since many in Hong Kong have recollections of massive loss of family and business wealth, and have operated in recent decades in a volatile and uncertain regional business environment, their philanthropic activity is likely to be lower than would be expected in a more stable business environment.
- Hong Kong is in a process of transformation from a “refugee” society in which most residents have arrived comparatively recently and have lived for many years without certainty that Hong Kong could be a long term home, to a normal middle class society which regards Hong Kong as a permanent family home. As a “refugee” society, individual and corporate giving activity within Hong Kong could be expected to be lower in Hong Kong than in more stable regions. Giving levels can be expected to rise as the “refugee” period fades.
- Needless to say, Hong Kong is passing through a period of radical change which is influencing habits of giving. The emergence of adversarial democratic politics and of politically-focused advocacy groups is expanding Hong Kong’s Third Sector, and generating new not-for-profit competitors for the philanthropic dollar (whether corporate or individual). Such politically-focused groups tend to be professionally run, and contrast with the amateur traditions of the large majority of the smaller charities that make up most of Hong Kong’s existing volunteer community. This is creating pressure for existing charities to be run

more professionally, and to be more transparent if they are to be successful in competing for the corporate philanthropic dollar.

- Many NGOs in Hong Kong rely heavily on direct government funding, leading to concerns over dependency, transparency and in the longer run the vitality and development of the “Third Sector”. To address this problem, it is important to devise ways of diversifying funding.
- Companies in Hong Kong prefer to give charitably to particular causes: education, the environment, social welfare and health and medical. By contrast, they show less interest in religious causes, the arts, culture, heritage, or sports (though many artistic, cultural or sporting events attract marketing dollars from companies keen to use such events to provide hospitality and entertainment to existing or potential clients). As a general rule, companies will be cautious and controversy-averse in their giving programmes – in particular listed companies.
- Tax policy appears to have comparatively little influence on company giving activity, in sharp contrast with economies where tax levels are higher and more tax regimes more complex. Many companies are lax in claiming tax relief on donations, both because tax levels are low, and because of a tax-allowance threshold of 10% of profits. Many charitable organizations are not formally registered as charities because of the small difference between charitable and non-charitable status: companies giving to such organizations are therefore unable to claim tax relief on giving. The absence of any capital gains tax means that giving in the form of property or equities (common in the US) is not common.
- Hong Kong-based companies are giving more to causes on the Mainland as their Mainland businesses grow, but there does not appear to be any diversionary impact. This is in part due to the fact that it remains difficult to mount meaningful giving programmes on the Mainland.

The “upper bound”

There can be no clear or precise estimate of the financial resources available in the form of donations from the business sector in support of the Third Sector. Even describing current levels of giving is an approximate process: extrapolating from these uncertain numbers to determine an “upper bound” is inevitably an extremely tentative process.

As the earlier section “guesstimating” levels of corporate giving in 2000 explained¹, companies recorded HK\$850 million in charitable giving in 2000 according to the IRD. This provides a highly conservative baseline, but to move from this to “guesstimate” true levels of current giving is a task fraught with uncertainty.

Golin/Harris made several attempts independently to construct a guesstimate (excluding giving in kind, and giving in the form of volunteer activity). As noted earlier², the Golin/Harris survey suggested that total corporate giving in cash could range upwards from HK\$850 million to HK\$1.4 billion.

Various sources in the US estimate that corporate giving amounts to approximately 1% of company profits year by year. In the UK, the Charities Aid Foundation estimates that giving among UK companies amounts to about 0.2% of company profits. Hong Kong’s IRD data suggest that giving in 2000 amounted to about 0.36% of assessable profits.

In the US, a number of economists have discerned that total giving has amounted to about 1.9% of GDP over the past three decades, and that companies have accounted for between 5-10% of this total. If this were true of Hong Kong, in which GDP at current prices amounted at the end of 2000 to HK\$1,360 billion, then total giving would amount to just under HK\$26 billion, with companies accounting for between HK\$1.3 billion and HK\$2.6 billion.

From this fragile body of data it is possible to extrapolate that:

- Corporate giving at present is in a range from HK\$850 million to HK\$1.4 billion.
- An upper bound is likely to be in the region of HK\$2.6 billion – amounting to about 1% of assessable profits.
- This upper bound will rise and fall as profits rise and fall and as GDP growth strengthens or weakens. In current uncertain economic circumstances, this implies growth from present levels will be slow.

This upper bound ignores:

- giving in kind
- the monetised value of volunteer activity
- giving by family-owned companies through personal channels.

In addition, such data ignore the catalytic influence of company giving across large numbers of staff when a company chooses to support particular charitable causes. Considerable volunteer resources can be mobilised in support of such cash support, greatly amplifying the cash sum alone. In addition, while individual giving in aggregate accounts for an immense share of total giving, the sums given by each individual tend in each separate instance to be small. By contrast, when companies give, they tend to give in substantial tranches, making a large and visible impact wherever they choose to give.

Corporate giving can therefore act as a powerful catalyst for further individual giving because of the publicity associated with companies' acts of giving. In short, corporate efforts could undoubtedly be greater, and can have a potent catalytic influence on individual giving, but it would be optimistic to forecast that they will in any significant way reduce the role of Government agencies, reduce the importance of individual giving, or reduce the fund-raising pressures that perennially face not-for-profit organisations.

Non-financial volunteer programmes offered by the corporate sector

It was not possible within the time and resource constraints of the study to build a comprehensive picture of company volunteer programmes in Hong Kong. However, survey findings on corporate volunteering released by the Social Welfare Department in November 2001 provide valuable clarification to findings from this study.

Insights on corporate volunteerism from the Golin/Harris survey were mixed. At least 30% of respondents said they had no formal schemes in place to encourage voluntary activity. Similarly, just 30% give staff time off to be involved in voluntary activity. However, a substantial 45% of respondents provide matching funds to staff taking initiatives to raise money for charity. Just under half of respondents "actively encourage staff to be involved in the community."

Just under half of respondent companies had senior managers and/or their spouses sitting on the boards of Hong Kong-based charities, but a bare half of these said these positions influenced the focus or priority of their company's philanthropic activity.

The message from this brief study is that volunteerism is very deeply rooted in Hong Kong culture, and – whether formally or informally – is given strong support by companies across the SAR. More value and focus from volunteer activity can be achieved by a number of initiatives:

- **Formal schemes** provide valuable catalysts for broad-based volunteer activity.

- Best practice should include providing **matching funds** for individual volunteer initiatives, and providing **time off** for volunteer activity.
- Schemes should be **centrally coordinated**. They should demonstrate what the company stands for, but should also be based on local staff concerns.
- **Internal company awards** recognizing volunteer effort can be powerful catalysts.
- **External awards** recognizing successful corporate volunteer programmes should be launched.
- Charities themselves should “**package**” initiatives so that they can be taken up easily and effectively by company volunteer programmes.
- A **dialogue** between those leading corporate volunteer programmes and charitable organizations should be encouraged in order to encourage charities to package initiatives effectively, and to enable companies to make clear their priority action areas.

Organisational changes aimed at fostering stronger corporate contributions.

- If charities are to attract more funding from companies, they will need to develop much higher levels of transparency. Companies (in particular listed companies that need to answer to shareholders) will not support charities unless they can see clearly how their donations are spent, the community impact of the charity’s activity, and the efficiency with which a charity uses its resources. At present, many volunteer organizations in Hong Kong fall badly short in this area – in particular the many subvented organizations that have come to rely on funds from Government for the majority of their activities. In theory, both the Hong Kong Joint Council of Social Service and the Community Chest are well placed to facilitate this development, but up to now have not done so.
- Umbrella organizations encouraging best practice and a professional approach to philanthropic activity are needed, both for the charitable sector and for prospective donor companies. The Government will need to take the lead in encouraging formation of such umbrella organizations.
- In the event of the Government deciding to allow corporate and individual taxpayers to be able to elect to channel a proportion of their tax payment to particular charities, an umbrella organization (equivalent to the Charities Aid Foundation in the UK) would need to be set up to administer and channel these funds.

If individuals are to be given the right to elect to donate to specific charities, then organizations are likely to be needed (outside the Government domain) to advise individuals on how to select an appropriate charity or charities. Such “match-making” agencies have emerged rapidly in the UK since the introduction of this taxpayer “charity election” opportunity.

Appendix A. International Comparisons Case Study 1: the United States

Overview of Philanthropy

The US provides by far the most complete picture of corporate philanthropy worldwide. It is also home to numerous deep-rooted charitable, academic and research institutions acting to coordinate, inform and educate both the individuals, families and companies involved in philanthropic activity, and the thousands of not-for-profit organisations that make up the US's "Third Sector".

While the US provides the greatest wealth of data worldwide on philanthropic activity, it also arguably provokes the greatest confusion. Terms like "not-for-profits", the "Independent Sector" and the "Third Sector" are often used interchangeably with "Charities" – even though the former categories include thousands of advocacy and interest groups that are heavily involved in politics, and only distantly linked with charitable activity.

A significant proportion of the agencies defined as charitable for tax purposes are hospitals and universities which are in every respect commercial organisations – charging for their medical services, or charging student fees. Such organisations are also massive recipients of Government subvented funds like Medicare and Medicaid, which means they account for as much as three quarters of the spending of the "independent sector"¹.

The US also provides the most extensive examples of serious professionalisation of the voluntary sector. Umbrella organisations proliferate aimed at honing the professionalism of people active in the voluntary sector. They include (for example) the Conference Board, the American Association of Fundraising Counsel (AAFRC), the Council on Foundations, Independent Sector, and literally dozens of academic institutions like the Boston College Center for Corporate Community Relations, which provide training in best practice for those active in the not-for-profit sector, in "grantmanship" – the art of winning funding support from companies, foundations or Government agencies – and in providing measures to companies of the effectiveness of charitable organisations, or of giving programmes. Such professionalisation is in sharp contrast with philanthropic activity in most countries worldwide, which is characterised by grass-roots voluntarism, and a lack of rigorous measurement of the effectiveness of charitable activity.

Philanthropic activity in the US has its roots in the self-reliant principles of early settlers, often driven by religious organisations. By the early 20th century, philanthropists began to target research, science and broader social problems.

Distinctively in the US, foundations have emerged instead of the charitable trusts encouraged under the British legal system, with boards of directors directly overseeing contributions. It is estimated that the US is today home to a total of 50,000 foundations, all of them encouraged by a number of tax and legal advantages. Among the 20,000 foundations deemed “most active” by the Foundation Centre, more than one third (36%) were formed in the past decade. The Foundation Centre estimates that Foundation assets today amount to more than US\$448 billion.

Corporate Foundations began to grow in earnest after legal changes in 1935, with rapid growth through the 1940s – an era of high profits and high tax levels. Today, corporate foundations account for about a quarter of all corporate giving (US\$2.8 billion in 1999 out of a total of US\$11 billion) according to the AAFRC.

The AAFRC calculates that charitable giving inside the United States amounted to US\$203.45 billion in 2000². This amounts to 2.1 per cent of GDP, and about 1.8 per cent of personal income.

Table •

US Charitable Contributions, 1999		
<i>Source of giving</i>	<i>US\$bn</i>	<i>Approximate %</i>
Individuals	152.07	75.0
Foundations	24.50	12.0
Bequests	16.02	7.8
Corporations	10.86	5.3
Total	203.45	100

Source: AAFRC Trust for Philanthropy/Giving USA, 2000

Of this, corporate giving amounted to US\$10.86 billion – just under 5.3 per cent of the total, and equivalent to 1.2 per cent of corporate pre-tax income. The Council on Foundations, which reaches different totals, estimates that just under 30 per cent of company contributions were contributions in kind rather than cash.

As the table shows, by far the largest source of charitable contributions is individuals, which create a ripple effect by giving to foundations, which in turn contribute to the voluntary sector. (The foundations identified by the AAFRC in the above table are non-corporate foundations). As noted earlier, it is thought that a similar pattern of contributing prevails in other countries where research has been conducted.

Donations to religion or religious causes accounted for the largest proportion of giving in the US – about 36.5 per cent, followed by education (13.8 per cent), health (9.3 per cent) and human services (8.8 per cent). Donations in support of environmental causes amounted to just 3.0 per cent of all charitable contributions.

Table •

Recipients of Charitable Donations, 2000		
<i>Recipient cause</i>	<i>US\$bn</i>	<i>%</i>
Religion	74.31	36.5
Education	28.18	13.8
Health	18.82	9.3
Human Services	17.99	8.8
Arts, Culture	11.50	5.7
Public/Society	11.59	5.7
Environment	6.16	3.0
International	2.71	1.3
Other	32.19	15.8
Total	203.45	100

Source: AAFRC Trust for Philanthropy/Giving USA, 2001

The Corporate Contribution

As noted earlier, the AAFRC's "Giving USA" report calculates that companies accounted for about 5.3% of all philanthropic giving in 2000 – a total of US\$10.86 billion, up 12.14% from 1999. The organisation calculates that corporate giving accounted for about 1.2% of corporate pre-tax income (down 1% when compared to that in 1999).

The Conference Board, surveying more than 200 large- and mid-sized US companies with contributions to "worthy causes" amounting to US\$3.4 billion in 1999, found that about 28% of corporate contributions were non-cash³. For example, the single largest contributor in its survey, which contributed a total of US\$116 million, provided just 10% of this in direct cash. A further 13% came from the company's foundation, with 77% being "non-cash items" – valued at a total of US\$90 billion. Five of the six top donors in the survey gave at least two thirds of their contributions in the form of non-cash items⁴.

In its analysis of the direction of company giving⁵ the Conference Board found that a negligible proportion of corporate contributions to the "not-for-profit" sector (which is considerably broader than the voluntary sector, embracing advocacy groups, professional interest groups and universities and hospitals with charitable status) was to religious causes. This is presumably because companies regard giving to religious causes as a matter of personal and private conscience. Education was more strongly favoured than for the population at large, while giving to health-related causes, and to

arts and culture was approximately the same as for the population at large, once giving to religious causes is excluded from comparison.

Those companies giving most substantially in kind rather than cash were chemical companies (68%), pharmaceutical companies (64%) and computer and office equipment groups (59%).

Table •

Recipients of Corporate Charitable Donations, 1999		
<i>Recipient cause</i>	<i>US\$m</i>	<i>%</i>
Education	642	34.8
Health and Human Services	561	30.5
Arts, Culture	211	11.5
Civic/Community	188	10.2
Other	238	13.0
Total	1,840	100

Source: Conference Board, Jan 2001

The influence of Tax Policy

According to the IRS, companies are entitled to tax relief on charitable giving as follows: “A deduction may be claimed for contributions to certain types of charitable organizations created or organized in the United States or its possessions. However, the deduction is limited to 10 percent of the corporation's taxable income computed before giving effect to the charitable deduction, net operating loss or capital loss carrybacks, and the dividends-received deduction. Contributions in excess of the 10 percent limitation may be carried forward for five years⁶.”

Tax relief potentially applies not just to cash donations, but also to donations of property, shares and dividends, and certain gifts in kind. Since substantial tax relief can be obtained (and carried forward) on capital gains on assets like property and shares, these have been a popular form of giving for many years. So too, given substantial death duties applicable in the United States, have wealthy individuals tended to give to charities in the form of bequests which avoid estate taxes⁷.

Views in the US on whether the tax system incentivises philanthropic activity, actually boosting the quantum of charitable donations, appears mixed. Considerable empirical research suggests that charitable giving has remained stable over the past four decades in spite of tax changes that have occurred over that time⁸. In spite of the debate over the effect of the tax system on the quantum of giving, there is no disputing the reality that the tax system profoundly shapes the channels through which charitable contributions flow. Also, because tax benefits shape philanthropic activity so strongly, so companies and individuals have a strong incentive to report reliably and in full what they give, and to which cause (to the tax authorities at least).

Laws providing tax-advantaged status to foundations in their many forms have fuelled a proliferation of individual, corporate and community foundations. So too have laws concerning inheritance and capital gains.

In so far as tax policy gives tax-exempt status to a very broad spectrum of organisations – including thousands of lobbying, advocacy and professional interest groups – so it has also influenced who can benefit from philanthropic giving and who cannot.

This is a matter of heated political debate at present, coinciding with a resurgence of conservative values around the Bush election victory, as conservative and faith-based groups complain that advocacy groups embroiled in politics should not be regarded as charities, nor have their tax-exempt privileges. They complain that such groups “see it as their duty to promote more federal Government regulations, welfare and entitlement programmes in areas once considered the domain of families, charities, neighbourhood associations and other voluntary organizations⁹.”

Given this political context, debate has focused less on whether the tax system incentivises philanthropic activity than on whether high or low taxes encourage charitable activity¹⁰. Advocacy groups focused on influencing the political process to promote the interests of those they represent are clearly going to condone higher levels of taxation: only in so far as Government controls substantial spending resources does it influence the pattern of spending on those areas of concern to advocacy groups. By contrast, those to the right who subscribe to the principles of a free market economy, constitutionally limited Government, individual liberty and personal responsibility see low taxes as a key incentive to enhanced charitable and voluntary giving.

Such conservative and faith-based groups are not only arguing for smaller Government. They are arguing that local community-based organisations – which are currently having to compete fiercely with advocacy groups for the charitable dollar and Government funds subvented to support politically-preferred charitable groups – do more practical good than Government bureaucrats administering subventions from afar. They would like to see charities forced to raise their own funds, rather than rely on Government subventions, which “create an unhealthy dependency on the whims of politicians¹¹.”

Issues of key interest/relevance to Hong Kong

The role of not-for-profit advocacy groups

Much of what is described in the US as part of the “Third Sector” is clearly not rooted in charitable activity, nor aimed at directly tackling the community challenges of poverty, old-age, ill-health or disability. On the contrary, the majority of the “Third Sector” appears to be occupied by advocacy groups deeply involved in trying to influence the political process. These can be labour unions or professional associations, or they can be groups promoting the rights and interests of specific interest groups. In so far as such groups are competing for the philanthropic dollar – whether this comes from a foundation, or an individual or a company – so they are competing with grass-roots or community-based charity groups focused on the local community problems of poverty etc... Such advocacy groups, given their focus on the political process, have a clear preference for funds being channelled through Government agencies where they are subject to political influence, and thus subject to their own influence. This biases many such organisations to prefer “big Government”, and higher levels of taxation.

By contrast, local volunteer-based charitable groups (many of which in the US have religious roots) have little interest in funds being channelled through Government agencies, and so prefer “small Government” and lower levels of taxation which leave more resources in the pocket of the individual. An exception to this general rule would be those charitable agencies – in particular those in the medical/hospital sector – which are significant beneficiaries of Government subventions.

There is an upsurge of criticism among conservatives in the US of the role of advocacy groups, and their liberal access to tax-favoured status. Organisations like the Capital Research Center (CRC) complain of the emergence of non-profit advocacy groups that “saw it as their duty to promote more federal Government regulations, welfare and entitlement programmes in areas once considered to be the domain of families, charities, neighbourhood associations and other voluntary organizations¹² .”

The CRC insists that “lobbying public officials and electioneering is not charity”, and attacks foundations that act as “puppet masters for advocacy groups in the thick of politics.” It also warns charities against over-reliance on Government subventions, which creates “an unhealthy dependency on the whims of politicians.” James Glassman adds: “A Government that over-regulates, imposes high taxes and encourages welfare dependency does not compliment genuine charities – it crowds them out¹³ .”

Note needs to be taken in Hong Kong of this debate, since there is at present little confusion between political advocacy and community-based charitable activity. By contrast, many welfare-focused charities today rely heavily on Government subventions, and the warnings from the debate in the US over the danger of charitable organisations developing unhealthy and often politicised dependency on Government

agencies need to be taken into proper account as Hong Kong's own political system develops.

Economic growth and the role of tax rules

No economy so clearly illustrates the role played by tax rules in channelling philanthropic activity both for individuals and for companies. Patterns of giving are very widely influenced by IRS determinations on tax standing. The proliferation of private and corporate foundations is an obvious consequence of the structure of tax rules. However, there appears to be strong evidence that changes in the tax system over the past three decades – whether raising taxes or lowering them – have done little to influence the overall **quantum** of giving, either by individuals or companies, which has remained steady at around 1.9% of GDP¹⁴.

This suggests that, by contrast, the pace of economic growth has had a direct impact on the quantum of philanthropic giving. As Reynolds notes: “Real growth of giving depends on real growth of the economy, with tax considerations evidently playing an almost invisible role over time (except in the timing and form of gifts)¹⁵.”

If this is right, then the late-1990s boom in the US economy, which climaxed in May 2000, may mark a high-watermark for philanthropic giving in the US, with a decline likely following the contraction of the economy and the erosion of private wealth and corporate profits. What the media have dubbed the “new mega-foundations of the west” – best illustrated by foundations created by Bill Gates, and the Packards – may be particularly exposed to contraction.

Professionalism versus voluntarism: the link with transparency and disclosure

In the US, the “Third Sector” is a huge and highly professionalised sector, with college courses paving the way to respectably rewarded careers. Institutions proliferate offering training for charities in how to attract funding, how to structure volunteer programmes, how to benchmark activities and measure the impact of their work. At the same time, many companies have dedicated professionals focused on CCI (corporate community involvement) or CSR (corporate social responsibility). Organisations like the Conference Board and the Council on Foundations provide training on how to structure giving programmes, and how to measure the benefit being derived – both in the community, and within the company.

Such professionalisation sits uncomfortably with many in other countries who admire the grass-roots amateurism and volunteer commitment associated with traditional charitable activity. However, it has made charitable organisations more efficient in using the resources gifted to them, and better at measuring the good being done. As companies have sought evidence from charities of their effectiveness before providing financial support, so this has also led to higher levels of transparency, and more public disclosure of what charities do, and where their money goes.

Measuring the effectiveness of charities, and of giving programmes

Along with this professionalisation, the foundations focused on setting best practices, measuring the impact of giving and so on (like the Conference Board, the Council on Foundations, etc...) have provided valuable umbrellas for focusing corporate attention on philanthropic activity and explaining its value both in community and corporate terms. By bringing leading companies together to set best practices, and to commit to matching them, such organisations have encouraged many thousands of smaller companies to focus on their role in the community and the value of corporate giving to the bottom line. By providing methods of measuring the value of corporate giving, they have bolstered the legitimacy of such activity to shareholders, who have often in the past seen every dollar given away to charity as a dollar diverted from their dividends, or not directly reinvested in the growth of the company.

Programmes in the US which have enhanced the transparency of charities and helped charities to demonstrate their effectiveness clearly have without question made it easier for companies to identify charities of choice, and justify giving programmes to their staff and shareholders. At the same time, programmes like those offered by the Boston College Center for Corporate Community Relations¹⁶, which provide means of setting up well-structured giving programmes, and of diagnostic tools that measure the value of those giving programmes over time, give companies confidence and comfort in committing to corporate social responsibility programmes.

A similar stimulus to best practice and broader corporate participation comes from the various awards competitions arranged by umbrella organisations concerned with philanthropic activity. Good examples (but certainly not the only ones) are the Conference Board's "Best in Class" awards, set up in 1991 to recognise companies for their "leadership and commitment of resources and talent to improve pre-college education¹⁷", and the National Society of Fund Raising Executives' annual "Outstanding Philanthropic Corporate" award¹⁸.

The role of Government subventions

The Republican right in the US has in the recent past become increasingly vocal in its concern over a dependency culture developing among charitable organisations as a result of relying so heavily on Government subventions for their funding. As in Hong Kong, many welfare-based charities rely on subventions for a substantial majority of their funding. Critics in the US complain this has made many charities less publicly accountable, more bureaucratic and less efficient in their use of funds. They also complain that the practice makes charities more at the mercy of the whims of politicians or political parties. Given the scale of reliance of many welfare-based charities in Hong Kong on Government subventions, these criticisms certainly deserve attention.

Appendix B: International Comparisons Case Study 2: Canada

Overview of Philanthropy

Those involved in the “Third Sector” in Canada commonly describe the past decade as one of “turmoil”. Accumulated Government deficits and cumulative debts forced federal and provincial budgets to cut public spending hard, resulting in a “triple whammy” crisis for voluntary and not-for-profit organisations:

- for those that relied on Government subventions, spending cuts immediately hit their bottom line;
- as Government agencies withdrew services as a result of spending cuts, voluntary agencies faced mounting pressure to “fill the gap”, and
- as Government agencies sought external funding and private sector “partnerships” to meet their funding needs, so they began to compete directly with the voluntary sector for corporate financial support.

At the same time, a highly inflammatory (and inaccurate) book called “The Charity Game” depicted the voluntary sector as inefficient and wasteful at best, and in some contexts fraudulent. Despite ultimate recognition that the book was grossly inaccurate (copies with withdrawn and pulped), it had a powerful negative impact on perceptions of, and trust in, Canada’s charities.

As a result, there has since the early 1990s been an extensive “dialogue” between Government and the Canadian voluntary sector, which has led to a number of important initiatives intended to give impetus to the voluntary sector, and to rebuild a stronger and more constructive relationship between Government and the voluntary sector¹.

From the creation of the Voluntary Sector Roundtable (VSR) in 1995 – a sort of “coalition of coalitions” representing the voluntary sector – initiatives have followed in quick succession:

- tax reforms have been initiated to strengthen the voluntary sector;
- a National Survey of Giving, Volunteering and Participating, first conducted in 1997, has provided greater factual clarity about the role of the voluntary sector;
- a number of “joint-tables” studies – by which Canadians mean study groups bringing together Government and voluntary sector members – have been completed on many aspects of the role of the voluntary sector in Canadian civil society;
- the Government has set aside C\$95 million for a five year action plan intended to boost the role of the voluntary sector;

- a National Volunteerism Initiative has been launched, “stewarded” by a “Reference Group of Ministers” that comprises a deputy Prime Minister and seven federal ministers.
- initiatives have been taken to study and strengthen the accountability and governance of voluntary organisations.

In parallel with these Government-Voluntary sector initiatives, the corporate sector has been driven, largely by the Conference Board of Canada and its affiliate the Canadian Centre for Business in the Community, and the Canadian Centre for Philanthropy, to take a more significant role in support of community initiatives. The “*Imagine*” project, founded in 1988, has made a particularly striking contribution, mobilising over 400 companies in its “Caring Companies” campaign, working on 1,200 “Community Partner” projects, and providing research, workshops and other resources intended to support corporate community initiatives. Among these is a Corporate Social Responsibility Benchmarking Programme² backed by 17 leading Canadian companies that shares common ground with London Benchmarking in aiming by 2003 to set new and more reliable means of measuring corporate contributions, and their value.

Confirming insights observed in both the US and the UK, a significant majority of Canadians believe that charities are better than Government agencies at meeting an array of community needs. A study by the Edmonton-based Muttart Foundation³ discovered that 79% of respondents believed that charities understand the needs of Canadians better than the Government, with 69% believing they do a better job than Government. At the same time, 84% felt that charities were not a substitute for Government. A majority said charities did not have enough funding, but that they needed to provide more information about themselves, and needed to be monitored more closely.

Prime Minister Jean Cretien in 1998 explicitly endorsed this view of the superior but complimentary role of the voluntary sector in local communities when he conceded that “Governments don’t have the wisdom or the resources to do everything”⁴.

As a result of these many initiatives over the past decade, there appears to be renewed confidence in the role that can be played in Canada by the voluntary sector, and enhanced commitment by companies to contribute to the communities in which they operate.

Having said this, Canada appears similar to the US and the UK in that the voluntary sector currently relies on corporate funding for only a small proportion of its financial needs. An estimated 56% of charity funding comes from Government-related sources, with a further 37% from individual donations – leaving just 7% being met from all other sources.

Data

According to the secretariat of Canada’s Voluntary Sector Initiative, Canada is home to 78,000 charities, a further 100,000 non-profit organisations and “hundreds of thousands more non-registered voluntary groups and associations”⁵. Members of charities raise about C\$90 billion (US\$58.8 billion) per year, and manage about C\$109 billion in assets – equal to over 12% of the gross national product (GNP). Charities employ about 1.3 million people, with more than 5 million involved in voluntary activity every year.

As in the US and the UK, individual giving significantly outweighs all other forms of giving in Canada, with corporations accounting for just 9% of charity revenues (see Table • below) according to 1996 research by the Canadian Centre for Philanthropy (more comprehensive data is provided by the Conference Board of Canada, but is available only on payment of a substantial fee).

Table •

Canada Charitable Giving, 1996	
<i>Source of Giving</i>	<i>%</i>
Individuals	57
Government Grants	30
Foundations	4
Corporations	9
Total	100

Source: Canadian Centre for Philanthropy

Matching a pattern found in both the United States and the UK, just over a half of personal donations goes to religious causes, with social services and health-related services accounting for more than a quarter, and other philanthropic causes like education, the environment, culture and the arts capturing little more than crumbs from the table (see Table •).

Table •

Destination of Canada Charitable Giving, 1996/7	
<i>Target of giving</i>	<i>Approximate %</i>
Religion	51
Health	17
Social Services	11
Philanthropic Organisations	6
Education	4
Culture/Arts	3
Environment	2
International	2
Other	4
Total	100

Source: Canadian Centre for Philanthropy

The patterns of corporate giving contrast sharply with this – as they do in both the US and the UK. According to the Canadian Centre for Philanthropy, the principle target for company giving is the education sector (attracting 26% of all donations), with social services attracting a further 20%.

Table •

The Pattern of Corporate Giving, 1996	
<i>Target of giving</i>	<i>Approximate %</i>
Education	26
Social Services	20
Culture/Arts	14
Hospitals	9
Health	6
Community	3
Other	23
Total	100

Source: Canadian Centre for Philanthropy

According to the 1997 National Survey of Giving, Volunteering and Participating, a total of 22 million Canadians make donations in any year – about 78% of the population. Total individual donations to charities amounted to C\$4.5 billion in 1997, with average donations amounting to C\$239. As in the US and the UK, the larger proportion of this giving comes from the most wealthy (47% of the dollar value of all donations comes from just 5% of donors)⁶, older people (60% of donations come from people aged 45 or older), and the better-educated (90% of university educated people made donations, compared with less than 75% for those with no tertiary education, and they contributed on average three times as much per capita as those without degrees).

Just under 27% of the population is involved in volunteer activity every year (about 5.3 million people), with each volunteer giving an average of 149 hours per year – about 3 hours per week.

Tax-linked giving

Following the turmoil in the relationship between the voluntary sector and the Government in the early 1990s, a great deal of attention has been given to defining and regulating charitable activity, and providing charitable tax incentives. There appears a general view that appropriate tax arrangements can provide strong stimulus to charitable giving by both individuals and companies.

The first fruits of this work came in March 1996 with some minor enhancements to charitable tax incentives. By the end of 1996, the Government was beginning to address the controversial issue of which groups have or do not have access to tax-favoured status for donations under the Income Tax Act⁷. The logic here was that tax incentives could not work properly until there was greater clarity over what characteristics were intrinsic to a charity or voluntary organisation, and what criteria should be used to determine tax-favoured status.

A number of legislative changes were made:

- Making accessible to the public the information that is filed with the Canada Customs and Revenue Agency (CCRA) in support of an application for registered charity status, and information on the CCRA's reasons for decisions.
- Clearly defining the non-partisan advocacy and public education activities in which charities may engage, and raising above 10 percent the percentage of resources that a charity can devote to such activities.
- Allowing certain categories of public-benefit organisation to be eligible for registration as “deemed charities” that do not operate exclusively to the benefit of their members, and that promote specified causes not considered charitable under common law.
- Undertaking a study of the liability issue pertaining to voluntary organisations and their directors.

Administrative changes were introduced to the tax system:

- The Government developed a shortened version of the tax return from 13 pages to approximately 4 pages, extending this shortened reporting requirement to all charities with revenues of \$100,000 or less (approximately 70% of all registered charities), and investigating whether this shorter form could suffice for charities with revenues of \$100,000 or more.
- Compliance mechanisms short of de-registration were introduced.
- New guidelines (from the CCRA) on allowable "business-related activities" undertaken by charities were introduced.

In addition, the Government/voluntary sector consultation process analysed the relative advantages and disadvantages of various forms of public support for voluntary sector organisations, including tax assistance, matching grants, core funding, contributions and contracts⁸.

A large number of new incentives were introduced in the budget of February 1997 as a result of this analysis. Recently, Deloitte & Touche were sponsored to study how effective some of the tax changes had been in encouraging new donations. In particular, they examined the impact of an experimental 50% cut in capital gains tax on gifts in the form of stocks and shares – or more precisely “marketable securities”.

The study concluded that the gift of stocks and shares have become an important part of most charities’ revenues, and that tax incentives stimulated donations, and were considered by charities as an “essential tool”. Large charities have seen the greatest impact of this change, with gifts of stocks and shares accounting for almost 14% of these charities’ receipted donations. Charities in the area of social services and education have also built up the greatest reliance on such gifts, respectively getting 23% and 16.5% of their donated income from gifted securities.

At the same time, receipted donations have risen to almost 38% of total revenues for charities, compared to 32% in 1996. The average dollar value of gifts has risen from C\$13,000 in 1996 to C\$250,000 in 1999⁹.

The Corporate Contribution

As in the US and the UK, there is widespread public belief that companies should not simply contribute to the community by means of profits and job creation. Research by the Canadian Centre for Business in the Community¹⁰ shows that four out of five people try to buy from companies that they perceive as “good corporate citizens”. Two in five members of the public believed that companies should contribute at least 1% of pre-tax profit to philanthropic causes (while 30% of chief executives believed this level was too high).

By contrast with personal giving, in which more than half of contributions go to religious causes, companies have different priorities for their philanthropic focus¹¹: 26% of contributions go to education-related causes, with 20% going to social services, 15% to health-related issues, and 14% to arts and culture. The environment and sport attracted comparatively modest support, according to the Canadian Centre (about 4% of contributions, and 1% respectively). (The Canadian Centre for Business in the Community does not make available gross numbers on company giving. The Conference Board of Canada does so, but only on receipt of a substantial fee).

As already noted, the development of civically responsible practices by companies has been driven largely by the Conference Board of Canada and its Canadian Centre for Business in the Community, and the Canadian Centre for Philanthropy.

Apart from the Imagine project on benchmarking, the Conference Board has also brought 22 leading companies together to form a Best Practices Benchmark Group¹² which (like London Benchmarking and the Corporate Citizenship Company in the UK, and the Conference Board and the Boston Centre in the US) provide guidelines for companies on how to measure giving activity, how to optimise giving activity, and how to measure the benefits derived both to the company and the recipient charities.

Issues of interest/relevance to Hong Kong

Government Funding and Leadership¹³

The Canadian Government has provided over the past decade a valuable template for building trust and collaboration between Government agencies and the voluntary sector. Headway would probably not have been made without concerted Government commitment, and focused leadership.

The key insight for Hong Kong is that headway is unlikely unless the Government plays a key role in leadership and facilitation. This is likely to require significant commitment from the Government in the form of executive attention and funds. Canada's Reference Group of Ministers on the Voluntary Sector, headed by the Deputy Prime Minister, illustrates clearly a) how important it is to have strong backing for reform at the highest level of Government leadership, and b) how important it is to ensure inter-bureau coordination and collaboration.

The need to focus on capacity, not just funding

As the VSI Joint Initiative report noted, "capacity can mean many things". However, the Government-voluntary sector dialogue of the past decade has made it clear that funding is only one factor enabling the voluntary sector to enhance its community contribution – and it may not be the primary one. Equally important are the development of **human resources**, the development of **knowledge** based on reliably

gathered data, and the effective use of **technologies** to enhance efficiency, collaboration and information-sharing.

Voluntary Sector Initiative

This initiative deserves close examination as an excellent example of concerted and sustained Government-public dialogue and collaboration. The “Joint-Tables” process, which brought Government officials and voluntary sector representatives together as equals in a number of policy review areas, appears to provide a rare example of successful consultation and collaboration. It reduced suspicions on both sides, and enabled a degree of collaboration that contributed strongly to building new and practical foundations for trust going forward. The process was undoubtedly costly, and time consuming, but was arguably an investment of time and resources that was worthwhile not just to rebuild trust, but also to mobilise more effectively the resources and strengths of charities and voluntary organisations, and the millions of volunteers that drive them. The end products of the process, in the form of a C\$95 million budget for building the role of the voluntary sector, and a Reference Group of Ministers for the Voluntary Sector, give the voluntary sector both the resources and the political clout to enhance their contribution significantly going forward. While the “Joint-Tables” process was uniquely Canadian in its approach, the principle of close and long-term consultation is worth closer examination.

Umbrella organisations

A key insight from the work in Canada to build the role of the voluntary sector is that a “coalition” approach is essential to pre-empt the potentially divisive tendencies intrinsic to the voluntary sector: “Civil society is so diverse that it also has the potential to be divisive. It is essential that civil society and voluntary sector leaders identify and make common cause for those goals and objectives they share, regardless of the specific sector, policy area or population group with which they are primarily associated¹⁴.”

The past decade has seen the emergence of a number of “umbrella” organisations in Canada tasked to coordinate not just across the voluntary sector, but also across the business sector (see **Key Institutions**, above). Such umbrella groups not only provide focus in consultation with Government agencies, but also provide critical resources in the form of benchmarks for best practices, training in best practices, standardised IT and management infrastructures, and data on critical trends. Such umbrella groups are largely absent in Hong Kong at present. Much can be gained by encouragement of such umbrella organisations, though the lead probably needs to come from the voluntary and corporate sectors themselves.

Benchmarking

As in the UK, where London Benchmarking has begun to focus on ways of measuring the size and value of company contributions to the community, so a similar set of

initiatives has been undertaken in Canada by the Canadian Centre for Business in the Community. The Voluntary Sector Initiative has also begun to focus on standards of accountability for voluntary groups, based on the recognition that if voluntary organisations seek broader public and corporate funding, they must at the same time report more clearly and consistently on how effectively they use their resources. So too in Hong Kong, if voluntary organisations are to assume a larger role in support of important community initiatives, so they will need to recognise the importance of enhanced transparency and disclosure, and clear demonstrations of the value and effectiveness of their contribution.

Data gathering: the National Survey of Giving, Volunteering and Participating

All economies studied had major problems with data pertaining to the voluntary sector. Even in the US, where comparatively large amounts of data are available, confusions arising from a failure accurately to differentiate charities from voluntary or not-for-profit organisations render analysis and international comparison virtually impossible. The National Survey of Giving, Volunteering and Participating provides a meaningful attempt to breach this data gap. However, even this major effort (the survey is intended to be conducted every three years) has shortcomings which will need to be remedied over time. It makes no effort to capture the corporate contribution to voluntary and philanthropic activity in Canada, and so for the purposes of the current study is virtually silent. Such a survey might be considered for Hong Kong as a means of filling the “data vacuum” that currently exists.

Voluntary groups and advocacy

Much attention has been given in Canada to the need to differentiate between charities and “non-charitable public benefit groups”, and in particular the differential tax treatment of them. A key issue at the heart of the difference is the role of an organisation in advocacy and political activity.

According to Canadian law, a charity can educate, but cannot “promote a particular point of view or political orientation”. Nor can they persuade, indoctrinate, or issue propaganda. A charity “cannot have political purposes”, but can devote a portion of its resources to political activities so long as they are non-partisan, are ancillary to the charity’s purposes, and leave “substantially all” of its resources for charitable activity. “Substantially all” has been interpreted as 90%.

Voluntary organisations that indulge in advocacy can attract public support if they are not-for-profit, and if they are not primarily promoting their members’ interests, but should not be allowed the same tax privileges as a charity¹⁵.

Appendix C: International Comparisons Case Study 3: the UK

Overview of Philanthropy

The return of the Labour Government to power under the Prime Ministership of Tony Blair in the UK has led to increased attention being paid to the role both of the third sector, and of the role of the company in the community. While deep residual suspicions remain in UK society about the motivations of companies claiming to have commitments to community-building, there is an increasing recognition that many social and community problems are better tackled by the voluntary sector rather than Government, and that Government tax-resourced funding is not sufficient to meet these needs. At the same time, the public at large has steadily rising expectations that a company is a member of its community, rather than simply an employer, and generator of profits.

In 1998, the Government launched “The Compact”, based on the findings of the Deakin Report on the Future of the Voluntary Sector, “Building the Future Together”. This study attempts to identify the basis on which the Government and the voluntary sector can work optimally together going forward.

The Report identified a number of core shared principles:

- Voluntary action is an essential component of a democratic society, and fundamental to the well-being of society.
- The voluntary and community sector needs to be independent and diverse.
- Government and the voluntary sector have distinct and complimentary roles in the delivery of public policy and services.
- Consultation and partnership enhances the effectiveness of community initiatives.
- Both Government and the voluntary sector need “integrity, objectivity, accountability, openness, honesty and leadership.”
- Voluntary groups are entitled to campaign to achieve their ends, as long as they stay within the law.
- Government remains an important funder of voluntary organisations, even though this creates problems in terms of preserving the independence of voluntary organisations.

The Blair Government has set up a group, headed by a minister, to oversee implementation of the Deakin Report’s recommendations.

Echoing Government thinking, Hargreaves and Christie noted in their influential book, *“Tomorrow’s Politics: The Third Way and Beyond”*¹ that there was “good reason to believe that the third sector is particularly well placed to tackle those “wicked problems”, such as entrenched poverty, drug abuse, and chronic educational underachievement, which are high on the political agenda, but which have defied the skills of the public sector and do not interest the private sector².”

Talking further on the “wicked problems”, Hargreaves and Christie identify that area “where the private sector does not see sufficient opportunity for commercial reward and to which the public sector is too risk averse and insufficiently entrepreneurial to tackle.” Highlighting the lack of grass-roots trust in Government and the private sector, they argue that voluntary organisations must play an increasing role in identifying and addressing these “wicked problems”.

It is at the same time recognised that the third sector is “chronically short of capital” because it “has no greed factor at work and its growth can only be propelled by altruism or at least a wider social purpose”. It also noted how many voluntary groups are “prisoners of ancient deeds of endowment”, and called for improvement measures enabling voluntary organisations to cease operation, or to merge with new or more dynamic voluntary groups focused on current-day priorities.

Hargreaves and Christie also highlighted how an urgent reform of charities law was needed to improve the targeting of fiscal incentives for voluntary activity: “Since financial benefits accrue only to organisations capable of claiming charitable status, and since the definition of what constitutes “charitable” is seriously confused, the whole edifice of Government financial support for the third sector rests upon the shakiest of foundations³ .”

Data

Data describing the size and nature of the Third Sector in the UK, and the contribution of companies to the community are only anecdotally available. The UK Government has not provided data quantifying support to the voluntary sector since 1994. While up-to-date data was expected during the second half of 2000, as of May 2001 this had not been released. Nor was there any firm indication from the Government on when this data might be released.

Table •

UK Charitable Contributions, 1999		
<i>Source of giving</i>	<i>£m</i>	<i>Approximate %</i>
Individuals	5,000	66
Foundations	1,000	13
Legacies	1,000	13
Corporations	300	4
National Lottery	250	3
Total	7,550	100

Source: Charities Aid Foundation, 2000

In the absence of official data, most in the voluntary sector rely on data collated by the Charities Aid Foundation (CAF). According to the CAF, there are 2,450 “community sector” organisations in the UK, with 700 of these “wholly voluntary”⁴. Partly because of the confusion that exists between the “third sector”, the “voluntary sector”, the “independent sector” etc..., measurements of the contribution of the third sector are inevitably approximate. Hargreaves and Christie estimate that the income of the third sector amounted in 1999 to “between £15-30 billion”, or approximately 4% of GDP. The third sector accounted for between 450,000 and 900,000 jobs, and involved around 20 million volunteers every year “in some form of socially useful activity”⁵.

As in the US, the education and medical sectors account for a large proportion of the “voluntary sector”. According to a CAF survey in 1998/99, health authority spending on the voluntary sector in the UK amounted to £400-600 million, or about 3% of health authority spending. Most of these funds went to fund hospices, nursing homes, long-stay care centres and hostels of various kinds.

According to the CAF, such Government-sourced funds accounted for about one third of the total funding for the UK voluntary sector, with an estimated 25% coming from donations, 19% from membership fees, 12% from trading, and finally about 10% from company donations⁶.

The CAF estimates that individuals account for the lion’s share of charitable giving, contributing £5,000 million in 1999. By contrast, grant making foundations and legacies (funds gifted as part of an individual’s will) each contributed £1,000 million, while companies contributed £300 million, just ahead of the national lottery, at £250 million.

In a 1999 Family Spending Survey conducted in the UK by the Institute of Fiscal Studies, it was discovered that 30% of British households said they give to charity (note by contrast that Canada’s national survey of giving found that 78% of Canadians say they give to charity). About half give less than £1.50 per week, and just 10% give more than £10, with a household average of £4.40 a week – amounting to about £230 a year. There must be questions over how reliable this data is. A joint research programme by the Charities Aid Foundation, the UK’s Inland Revenue Department, and the National Council for Voluntary Organisations conducted through July 1999 found 67% of the population gave to charity in that month⁷.

Tax-linked giving

A number of initiatives have been taken in the past year to encourage charitable giving. An April 2000 review of Charities Tax Law generated an estimated additional £400 million in tax relief to charities, stimulating about £1,000 million in extra donations.

In addition, the Government abolished the £1,200-per-year limit on tax relief for payroll giving, which has been in place since payroll giving was introduced in 1986/87. There is now no ceiling on the tax relief an individual can obtain on contributions to charity from his or her payroll. It was estimated by the Charities Aid Foundation, which is by far the leading beneficiary of payroll giving, that less than 6,000 companies participate in the scheme, with just 3% of workers in the UK using this method of contributing to charity. Between 1987 and 1998, contributions via payroll giving rose from £1.2 million to £29.6 million.

Table •

UK Payroll Giving 1987-98				
	1987/88	1992/93	1996/97	1997/98
Total receipts	1.2	14	24	29.6
Employers	1,800	4,600	5,271	5,697
Employees	50,600	308,000	369,000	431,000

Source: Charities Aid Foundation, 2000

As an added inducement to payroll giving the UK Government has agreed for three years from April 2000 to contribute 10p for every £1 every donated⁸.

It is noteworthy that because companies in the UK pay salaries tax on behalf of employees, so the payroll giving scheme needs to be administered via companies. This carries the disadvantage that if an employee's company does not subscribe to payroll giving, then he or she is unable to donate to charities by this means. It carries the advantages of a company being able to promote staff participation once it has set the scheme up, and of companies being able to "match" donations made by individuals.

The scheme has spawned an industry of payroll giving agencies (like the Charities Aid Foundation) through which schemes channel donations, and of commercial organizations focused on helping donors to pick a charity (for example, UK Fundraising at <http://www.fundraising.co.uk>, Charity Choice at <http://www.charitychoice.co.uk> and Community Web at <http://www.communityweb.org>).

In 1998/99 the UK Government made provisions for companies to provide **Gift Aid**, which appears to have had an immediately beneficial impact. Corporate giving is understood to have more than doubled in the past year to almost £650 million, with approximately half of this coming from a single company in the form of tax-exempt Gift Aid.

In addition, companies are from April 2000 able to claim a full deduction for payments to charity against their profits when they are calculating tax liabilities. It is too early to discover data that would indicate whether or not this has stimulated corporate giving.

The Corporate Contribution

According to the Charities Aid Foundation, companies in the UK contribute an average of 0.2% of profits to charity – about one fifth of the average 1% contributed by companies in the US. As already noted, corporate giving amounted to an estimated £300 million in 1999, and is understood to have doubled to £650 million last year.

From this modest base, the UK Government has over the past year focused with increasing intensity on the role companies might play in support of the third sector.

Views on corporate philanthropy in the private sector are predictably similar to views expressed in the US and in Hong Kong. The Corporate Citizenship Company expresses a familiar view when it says: “A company’s foremost community contribution is in providing goods and services which society needs and thereby creating jobs and paying taxes⁹.”

Community identify common motivations for community contributions by companies:

- a sense of moral and social responsibility corresponding to social expectations
- recognition that companies share a long-term interest in fostering a healthy community, and
- a recognition that community involvement generates measurable benefits, in the form of enhanced long term profitability, a stronger company image, lower costs, higher employee morale and commitment, and stronger customer loyalty.

There is at the same time a powerfully articulated concern over the challenge of measuring the size of a company’s community contribution, and the benefit arising from that contribution. This prompted six leading UK companies – BP, IBM, NatWest, Grand Met, Marks & Spencer, and Whitbread – to set up the London Benchmarking Group to develop clearer methodologies to measure company contributions. The London Benchmarking Group now has 18 member companies. Following its initial 1996 report, “Companies in Communities: Getting the Measure”, it last year produced a second study, “Measuring Corporate Citizenship”. The Group also provides support to companies in setting up benchmarked corporate giving programmes¹⁰.

Business in the Community, set up in the 1980s to foster stronger commitments by UK companies to the communities they operate in, set up a Business Impact Review Group in 1998, which late last year produced a report on corporate impact on society. The aim of the group is “to identify and promote Corporate Social Responsibility best practices which maximise the competitive as well as the social benefits, and to provide practical guidance for companies of all sizes on measurement methods, the communication of results, and key indicators of good citizenship¹¹ .

A questionnaire-based study focused specifically on SME giving discovered that:

- 38% of SMEs did not make any community contributions, with 45% giving a “fair amount”, and 16% giving “a great deal”. (Due to rounding, these do not total 100%)
- Most giving was on training and education and the environment, with international cause and the arts the clear laggards.
- SME giving was not influenced by the giving activities of large companies.
- Rather, the main drivers for giving were the SME’s directors.
- Main motivations were a) good PR, b) a recognition of the need to work in the community, c) the need to strengthen management/staff relations, and d) the need to motivate staff.

Business in the Community also arranges an annual “Awards for Excellence” competition recognising companies, corporate programmes and individuals that its judges regard as having been most successful in providing a positive impact on society. This Awards competition might be valuably emulated in Hong Kong, and provides a wide range of valuable case studies on how companies can contribute to their respective communities¹².

The other key institution committed to fostering strong corporate ties to the community is the Prince of Wales Business Leaders Forum, which represents the UK in the UN’s Global Compact initiative, has 14 main corporate supporters, and draws on contributions from 60 companies in Europe, the US, Asia and the Middle East. In contrast to Business in the Community, the Business Leaders Forum clearly represents the world’s largest multinationals, and has an international focus – in particular on corporate activity in the developing world. By focussing on cross-sector partnership-building, the Business Leaders Forum focuses on business ethics, social development and human rights, disseminating analysis and information on leading-edge corporate practices in communities around the world¹³.

Community Foundations or Trusts first emerged in the UK in 1971, but did not take off in any significant way until 1991 following support from a number of US foundations. From 1991, when there were 15 Community Foundations with capital amounting to £9 million, by 1999 this had risen to 29 foundations, with an aggregate capital of £91.8 million. These foundations distributed a total of £22 million.

From these community foundations, the concept of the “**Community Bank**” has also emerged, with these institutions lending to charities, rather than providing them with gifts. This institution provides the advantage of allowing the Bank to use its capital as well as the income generated by the capital to support chosen charities. According to Hargreaves and Christie¹⁴, these banks – which they call “social capital banks” – need to be “endowed with enough capital to provide loans and longer-term forms of investment against clear criteria concerning social objectives, as well as efficiency and probity.”

Since 1994, more than 200 **Development Trusts** have emerged in the UK, focused on community-based urban regeneration. These had total income in 1999 of between 25-30 million, most channelled from Government-related sources.

Issues of interest/relevance to Hong Kong

Priority sectors for company giving

Research in the UK by Hargreaves and Christie¹⁴ indicates that neither companies nor Government agencies are good at, or interested in, tackling what they call the “wicked problems” – chronic poverty, drug abuse and persistent educational underachievement. Voluntary groups play a unique role in ameliorating such problems and Government subventions to voluntary groups may be indispensable here, in spite of the curb on the independence of charitable groups when they become heavily reliant on Government funds.

Company giving tends to be focused on training, education and the environment, their research indicates. This confirms findings in Canada, the US and Hong Kong that companies favour giving to the education sector.

The tax system and its impact on giving

By contrast with the US, where a conviction seems to be emerging that the tax system shapes the pattern of giving, but not the quantum, the political view in both the UK and Canada appears to be that tax changes can incentivise both individual and corporate giving activity. In April 2000, the Blair Government in the UK abolished the ceiling on income tax relief on payroll giving for individuals, and on corporate giving. It is too early to discover whether these changes have stimulated the quantum of individual or corporate giving, though political and media commentators appear to believe a stimulus has resulted.

The payroll giving arrangements have without doubt affected the pattern of individual giving. Because companies pay an individual's tax month by month on a "pay as you earn" (PAYE) scheme, no individual can sign up to a payroll giving scheme unless his or her employer signs up. At present, fewer than 6,000 UK companies have such schemes, greatly hindering wider individual participation.

If payroll giving were to be considered in Hong Kong, then the fact that individuals complete their own tax returns would preempt this problem, and facilitate community-wide giving via a process of election in every individual's tax return. The Hong Kong disadvantage is that there is no mechanism for a company to encourage participation in payroll giving (this has quickly emerged in the UK, since there are economy of scale advantages for a company to encourage widespread participation in a payroll giving scheme once it has put such a scheme in place), nor is there a mechanism for companies to match individual payroll donations, which has been encouraged in some companies in the UK.

Also noteworthy in the UK is the emergence of a number of specialised companies devoted to help individuals to pick charities under their payroll giving schemes (UKFundraising, Charity Choice and Community Web, for example), and of organisations like the Charities Aid Foundation founded to administer and channel funds raised via payroll giving schemes.

Measuring the impact of giving

Two organisations in particular have emerged in the UK devoted to improving ways of measuring the value and impact of philanthropic activity – London Benchmarking, set up initially by six leading UK companies at the heart of the Corporate Citizenship Company, and the Business Impact Review Group, founded by Business in the Community. Like similar organisations in the US and Canada, these provide materials, methodologies and even training for companies to help them to set up effective giving programmes and to measure the impact of giving activity, both in terms of community benefits and in terms of benefits to the company.

Appendix D: International Comparisons Case Study 4: China

Overview of Philanthropy

China has through many centuries been home to a vibrant charitable sector. Confucian principles put great emphasis on community commitment by leaders. Most charitable activity was based on clans, kinships and dialect groups. During the 19th Century, as hundreds of thousands of young men left their home communities to find work overseas, so the habit developed of remitting literally millions of dollars a year back to home communities for civic purposes. It is understood that on the eve of the collapse of the Guomindang Government in 1949, there were at least 80,000 “not-for-profit” organisations (NPOs) on the Mainland¹.

This NPO community evaporated when the Guomindang were overthrown. Some would argue that in socialist China the very concept of an “independent” or “charitable” sector has for much of the past half century been a contradiction in terms. Since all assets were taken over by the state, and everyone was supposed to “give according to his ability and receive according to his need”, a hard-line theorist would say there was no need for a charitable sector.

Since employers in state-owned enterprises across the country were supposed to provide “cradle-to-grave” support to workers and their families, with direct responsibility for all services from street cleaning and sports facilities to health and medical services and facilities for the aged, the role in the community of a non-state philanthropic organisation was not obvious.

“Until the early 1980s for nearly 30 years peoples’ after-hours work involved “voluntary” or unpaid overtime work, political studies, and mandatory political activities. Thus there was no discretionary leisure time for the people to be involved in real voluntary activities,” noted the Asian Philanthropy Consortium².

Reforms of the past two decades have begun to transform this situation, with a strongly emerging need for philanthropic organisations. The rationalisation and closure of many thousands of state enterprises, leading to large-scale redundancy in many areas of the country, has created urgent social and welfare needs that local Governments have been ill-equipped to address. As state enterprises have restructured to tackle the competitive threat of local and international non-state competitors, so they have sought to pull back from their all-encompassing welfare obligations, raising many critical questions about how important local services will in future be provided.

As the Government itself has cut back, so agencies that were once arms of Government have been reassigned as non-Government organisations. The basis of their funding may have changed and the status of their employees, but their relationships with and obligations to Government remain as strong as ever. This has given rise to the improbable emergence of thousands of “GONGOs”, or “Government Owned Non-Government Organisations” – quasi-Government agencies that are

supervised by a relevant ministry, funded through state assets, and deliver services on their behalves, normally employing laid-off Government bureaucrats.

Needlesstosay, China's "third sector" is at present difficult to reconcile in a meaningful way with the "third sector" as it is understood in most market economies. Advocacy or political groups, and religious organisations (the latter provide the majority of not-for-profit organisations in most countries worldwide) have almost no foothold. As the Asian Philanthropy Consortium notes; "Even privately organised third sector organisations engaged in economic or social development, or environmental protection activities can face difficulty in getting registration from the relevant authorities"³.

As Shang Yusheng, research fellow at the China Association of Sciences Foundations, noted at a Shanghai conference in October last year: "Chinese NPOs... are bound to be heavily tinted by the planned economy and officialdom"⁴.

Individual and corporate giving has been powerfully influenced by this unusual setting: "Donating was not so much a matter of returning something to the community, much less promoting a company's public image, as a question of smoothing relations with officials," noted Nick Young, editor of Chinabrief⁵.

While these GONGOs probably account for the majority of voluntary organisations on the Mainland, a genuine charity and privately funded not-for-profit sector has begun to emerge. A striking example was the public response to the catastrophic Yangze floods in 1998, for which RMB 11.5 billion was raised by a number of Mainland charities. According to the China Charities Foundation, which was set up in 1994, there were more than 70 provincial and local charity groups by 1997. Non-commercial organisations formed by private citizens, enterprises and other organisations using non-state assets grew to around 700,000 by 1996. It is estimated that 100 million Chinese people are involved each year in volunteer activity of one kind or another⁶. This would amount to under 13% of the population, compared with a claimed 78% in Canada and 30% in the UK.

Chinese Government efforts since 1996 to check and rectify problems that they perceived in the charitable sector means that the total number today may be slightly lower. All have been required to submit to re-examination and re-registration with their supervising authorities – often called "mothers-in-law" – and to provide annual reports on activities. All are now overseen by the Bureau of Administration of Non-Governmental Organisations, which itself answers to the Ministry of Civil Affairs. It is not easy to be incorporated as a charitable organisation on the Mainland.

It appears clear that the third sector is set to play a growing role in communities across the Mainland, though advocacy, political or religious are likely to remain few in number for the foreseeable future. Much of the third sector will in reality be an extension of state-controlled agencies, and this will dictate the priorities and focus for third sector activity. Corporate philanthropy is also set to grow strongly, but is likely

to be dominated by state-owned agencies acting through state-owned enterprises, and focused on education and social welfare.

Data

Data that accurately describe China’s “third sector” are more than usually difficult to collate, or rely upon. According to researchers at the China Association of Sciences Foundations⁷, China had around 1.3 million “public interest organisations” in 1993, employing 25 million people. However, many of these organisations are de facto arms of Government (see **Overview**, page 5). The total number of “social organisations”, which also mainly comprises Government-owned non Government organisations – GONGOs – totalled 136,800 at the end of 1999 – down 16% after the “regularisation and rectification” process undertaken in 1998 and 1999.

The Association claimed there were 1,800 foundations at the end of 1999 – twice the number in 1995, and around 700,000 “non-Governmental non-commercial organisations” (though it nowhere precisely defines what such organisations are).

Of the social organisations, 31% were academic, with a further 30% described as “specialised”. Associations and Foundations together accounted for just 14% of social organisations.

Table •

Destination of Chinese Foundation Giving	
<i>Target of giving</i>	<i>Approximate %</i>
Health/Social Welfare	30
Culture and Education	25
Literature and Arts	15
Science/research	9
Sports/health	8
Environment	1
Other	12
Total	100

Source: China Association of Sciences Foundations (no year given)

No national data was discovered on average size/spending of not-for-profits on the Mainland. However, a survey of Beijing-based organisations by the China Association of Sciences Foundations showed that 30% of charities spent less than RMB 100,000 per year, with over 37% spending between RMB 100,000 - 500,000, and a bare 11% spending more than RMB 1 million.

Table •

Spending by Beijing NPOs	
	<i>Approximate %</i>
Up to RMB10,000	7.7
RMB10,000-50,000	13.5
RMB50,000-100,000	9.6
RMB100,000-500,000	37.5
RMB500,000- 1m	10.6
Over RMB 1m	10.6
No reply	10.5
Total	100

Source: China Association of Sciences Foundations (1998)

These same Beijing-based not-for-profits obtained a third of their funds from member fees and charges for their own widely-varied business operations, a quarter of their funds from Government, about 21% from unspecified “social” sources, and around 20% from loans or funds carried forward from previous years.

Table •

Main source of Beijing-based NPOs' Income	
	<i>Approximate %</i>
Government	26.15
Social	21.11
Business	32.23
Others	20.51
Total	100

Source: China Association of Sciences Foundations (1998)

Tax-linked giving

At present, tax policies or incentives play no material part in the size or direction of philanthropic giving by Mainland companies, nor by international companies with operations on the Mainland.

According to a ruling by the Ministry of Finance and the National Taxation Bureau in 1997, companies can deduct against tax their contributions to cultural affairs up to a limit of 3% of total profits. Donations received by foundations are exempted of tax, but have to be used exclusively for the foundations' charitable programmes, and cannot be used to pay staff salaries, for example. However, it is understood that new regulations concerning foundations, taxation and foreign third sector organisations with operations in China will be enacted in the near future⁸.

The Corporate Contribution

As noted in the overview, just as the third sector is at an embryonic stage, emerging in a unique context, so too is the contribution that companies are playing in the many Mainland communities in which they operate. While no comprehensive or reliable data are available to describe the corporate contribution, it would be reasonable to assume that in overall terms the contribution of the corporate sector is statistically negligible.

There are four distinct categories of company operating on the Mainland, each of which has distinctive perceptions of the scope of its community and philanthropic responsibilities:

- State-owned enterprises
- Mainland-owned private companies
- Foreign multinationals, operating as wholly owned, or joint ventures
- Companies controlled by Overseas Chinese business figures

State-owned enterprises (SOEs)

For much of the past half century, China's state-owned enterprises have dominated entire communities, providing all jobs, and all municipal services – ranging from kindergarten schooling to providing playgrounds and sports clubs, providing dental and medical services, looking after the infirm and the aged, and disposing of rubbish. As they are now being rationalised, and honed as competitive market-driven enterprises, so they are needing to disengage from these cradle-to-grave obligations.

This is creating a huge vacuum in China for the provision of all kinds of social, health, recreational, cultural and educational services. As these services are being hived off from the state-owned enterprises, so many of the staff being made redundant in the process are taking on responsibility for them, both on a paid and on a voluntary basis. Given the close and long-standing linkages between state-owned enterprises, their controlling ministries, and local municipal Governments, so the SOEs have been relatively successful in capturing and channelling the limited Government resources available to these new “charitable” organisations or GONGOs. Needless to say, they are chronically short of the necessary resources to support these GONGOs. As such, they should be seen as competing with non-Government charities and voluntary organisations for philanthropic funding, rather than as a source of such funding, at least until the SOE restructuring process is complete and a new fabric of municipal services is firmly in place.

Mainland-owned private companies

While private companies have emerged rapidly in China in the past decade, they are still relatively few in number, and tend to be small in size. Few have any formal

philanthropy programmes, or formal policies on community giving. Most giving is, as a result, likely to be in response to pressures from local Governments, and a means of “smoothing relations with officials”⁹. Given the relatively disadvantaged positions these companies are in by comparison with state-owned enterprises in terms of bank funding, or access to Government support for initiatives, licences, etc... this is likely to remain the priority for some time to come. As discussed previously, few tax incentives exist to focus or channel philanthropic activity.

Among key organisations, a key one appears to be “*Promoting Society for a Bright Cause*”, which “mobilises private entrepreneurs to donate and invest in poor areas for resolving social problems and eliminating poverty”¹⁰. This organisation is a branch of the All-China Federation of Industry and Commerce.

Foreign multinationals

Given the constraints surrounding corporate giving on the Mainland, foreign multinationals tend to focus on distinct and safe areas, like heritage, disaster relief, medical support and above all else, education. Project Hope, not the US medical charity, but a local NGO founded by the China Youth Federation, has attracted significant foreign funding support. So too has Orbis, the international charity that tackles the problem of blindness.

A number of foreign multinationals have made very significant donations. IBM has made donations valued at more than US\$23 million mainly in the form of computer equipment for IT education programmes. Coca Cola and Motorola have donated more than US\$2 million apiece to Project Hope. Companies like Hewlett Packard, Nokia, Boeing, BP, Volkswagen, Unilever, Sun Life, Henkel and EDF have substantial giving programmes in place¹¹. Literally hundreds of international corporations have made donations to Mainland universities for student exchanges and various study programmes.

Motivations for giving appear to be closely linked to the challenge of relationship-building, building a business presence and brand recognition in key Mainland markets.

Overseas Chinese-owned companies

Such companies are technically difficult to distinguish from foreign multinationals, except that many have by now been operating on the Mainland for almost two decades, tend to be smaller than western multinationals, tend to have closest relationships with local municipal Governments rather than provincial or state-level organisations, and tend to focus on areas around original ancestral homes.

As such, their giving patterns are distinct. As is typical of many traditional Chinese business figures, giving is regarded as a matter of private and personal conscience rather than anything formally to do with the company. This means their giving patterns are virtually impossible to trace in any reliable way. Philanthropic activity has

tended to focus on community and infrastructure-building in or around ancestral home communities. Investments can be clan-focused, and will frequently involve endowments to local schools and universities, to health and the local environment, and to heritage protection.

Summary

Clearly, the role that companies play in philanthropic activity remains at an early stage of evolution. Large numbers of multinational companies striving to build market position and a favourable reputation in key areas of the Mainland market have committed to many giving programmes, most linked with education. Many companies owned or controlled by Overseas Chinese executives have focused initiatives on ancestral communities, on education and on heritage protection, but much of this giving has been channeled through personal initiatives, or giving through family foundations. Quantifying such contributions in any way other than anecdotally is at present impossible.

Chinese state-owned enterprises have begun to develop programmes of corporate philanthropy, but the drivers for this activity appear to differ from the drivers behind multinational philanthropic activity. Such companies face strong pressure from local Governments to contribute to infrastructure and other new projects for which local tax-based funds are in acutely short supply. Many also commit to “twinning” arrangements whereby a state-owned enterprise is linked with a poor area of China and tasked to provide support to the local Government to alleviate poverty in that area.

The recent emergence of private enterprises on the Mainland has led to the appearance of philanthropic giving by local Chinese companies, and the creation of the country’s first (and perhaps only) private foundation – the Jianguo Foundation, set up by Qu Jianguo, the Shanghai-based bio-chemicals, transport and property entrepreneur. Set up in 1993, the Foundation runs programmes for school drop-outs, and funds university scholarships¹².

In sum, corporate philanthropy in China is fragmented and lacks focus. It also largely provides funds for state-driven initiatives, with charitable not-for-profits drawing relatively little funding from companies, except in the area of disaster relief.

Key Institutions

Administrative Bureau of Religious Affairs

Religious organisations in China are not regarded as charities or voluntary organisations and are subject to separate supervision by the Religious Affairs Bureau.

All-China Federation of Industry and Commerce

A key umbrella organisation for businesses and entrepreneurs across the Mainland.

Children and Teenagers Fund

The first foundation in China, created in 1981. Since then, more than 100 national-level foundations, and around 1,000 provincial and local foundations have been formed.

China Charities Federation (CCF)

Founded in 1994, this federation provides an umbrella for the development of all charitable and philanthropic activity in China. More than 70 provincial and local charity groups are not part of the CCF's network.

Chinese Association of Youth Volunteers

A vehicle created by the Chinese Communist Youth League as a nationwide organisation to support voluntary activity. It is understood to mobilise over 100 million volunteers for community activity over the course of a year.

Chinese Communist Youth League

Founded in 1994, the Youth League plays a key role in social and community activism in China.

Information Network of Foundations and Nonprofit Organisations

Created in 1999, the Information Network aims to promote the development of foundations and not-for-profits in China. At present, it has around 20 member foundations¹³.

Ministry of Civil Affairs

All third sector organisations in China ultimately answer to the Ministry of Civil Affairs, with every NGO affiliated to and supervised by a Government line agency. Direct oversight and organisation of all private not-for-profits is the responsibility of the Bureau of Administration of Non-Governmental Organisations.

Project Hope

A leading charitable organisation on the Mainland, responsible for a wide range of education initiatives in cities across the country.

Promoting Society for a Bright Cause

An organisation that mobilises private entrepreneurs on the Mainland to donate and invest in poor areas of the country, prioritising social problems and poverty alleviation¹⁴.

Jianguo Foundation

Based in Shanghai, this is one of a tiny handful of private foundations in existence in the Mainland. It was created in 1993 by Qu Jianguo, who became wealthy through a number of property, bio-chemicals and transport businesses. It focuses on university scholarships, and school drop-outs.

Issues of interest/relevance to Hong Kong

Political, advocacy, and religious activity by voluntary organisations

NGO activity on the Mainland is both tightly supervised, and limited to community and welfare support. Local or international NGOs based on advocacy (like Greenpeace or Amnesty International) are treated with considerable suspicion, and it is likely to be some time before the Government relaxes from this position. There is a question over whether there is a role for political NGOs on the Mainland in current circumstances. Similarly, religious organisations are not regarded as voluntary organisations, even though in most societies these organisations account for a large share of voluntary and philanthropic initiatives. They are tightly controlled, and answer to a separate supervising body, the Administrative Bureau of Religious Affairs.

Competing with Hong Kong for philanthropic funds

The limited evidence available suggests that local Hong Kong and multinational companies active on the Mainland will over time spend increasing sums in building a credible community profile in their key Mainland markets. However, there appears to be no indication that this would in its own right affect either positively or negatively the sums spent on philanthropic activity in Hong Kong. Those executives directly questioned on this issue during the course of the Golin/Harris survey of Hong Kong-based companies all insisted that the two markets were seen as distinct, and that their giving activity in Hong Kong had not been affected in any way by the growth of activity on the Mainland.

Voluntary organisations as agents channelling Government funds

At present a large proportion of “third sector” organisations on the Mainland are in reality organisations that have recently been hived off from Government organisations. They are staffed by former Government bureaucrats, and rely entirely on Government agencies for their funds. This is not dissimilar from circumstances faced by a large number of Hong Kong charitable organisations, which rely heavily on Government funding for their operations. Interestingly, officials on the Mainland appear to feel that such dependence is not sustainable in the long term, and are encouraging these organisations to diversify their funding sources – seeking fees for services, using volunteer resources more systematically, and raising funds from the public and private sector organisations. It will take some time for these suggestions to take material shape, but it provides a signal to Hong Kong charities, who might also be well advised to see their current heavy reliance on Government funding as unsustainable in the long term.

Appendix E: A cautionary note on national and company data

Even in countries where extensive data are gathered on companies' philanthropic contributions, there is considerable confusion over what companies really contribute to the community. Current problems in measuring and reporting corporate community involvement can be summarised as follows¹.

- too few companies produce a figure valuing their total community contribution;
- those that do, do not use a consistent methodology;
- figures are not verified independently;
- where a figure for contribution is available, too often it is only a total - we do not know how much is devoted to improving educational standards or protecting the environment or supporting small businesses; how much is cash and how much in-kind, especially staff time and skills;
- published figures only measure the input cost, not the outputs achieved, still less the ultimate impact on the company and the community beneficiaries;
- often data only cover the home country of a company, not the global spread of its operations;
- few standards are available to judge good practice and best examples;
- impact on society is narrowly defined as community contribution, ignoring issues such as taxes paid for public services, employment of staff, environmental factors, working with local suppliers to foster the local economy rather than simply buying from today's cheapest source, providing "uneconomic" services as required under regulation;
- people in the community, often through pressure groups, increasingly want a real say in what a company does – to enter into dialogue and be engaged – not simply be given a limited picture of what is going on.

This list presents a formidable and challenging agenda for action by companies, and underscores the challenge that exists in making meaningful international comparisons of data.

Up until now, the main basis for international comparison has apparently been the cost of total community contribution against pre-tax profits, with 0.5% being defined by institutions monitoring corporate philanthropy as the norm for the minimum acceptable. This "standard" comes from the Per Cent Club in the UK, which was set up in 1986 by the Prince of Wales and operates under the auspices of Business in the Community², and counterpart organisations worldwide (like the Keidanren One Per Cent Club in Japan). The UK initiative brings moral suasion to bear based on two measures - the company's contribution as a percentage of pre-tax profit, where the minimum is defined as 0.5 per cent rising to 1.0 per cent by the year 2000, and the percentage of dividends, where the minimum is currently 1 per cent.

However, according to David Logan, head of the Corporate Citizenship Company in the UK³, this measure suffers from at least three key weaknesses:

- because of profit fluctuations, only an average over the business cycle is truly meaningful, not a one year figure;
- the scale of voluntary effort by staff and by customers, facilitated by the company, is not captured in a single figure for the company's own contribution;
- a figure for the whole company can hide wide national variations within international groups.

Appendix F: The Golin/Harris Questionnaire

The Government is seeking to understand more accurately the role of corporate philanthropy in Hong Kong. This involves trying to quantify the size and scope of corporate giving, and of volunteer activity encouraged by companies in the community. As a result, your support in completing the following questionnaire would be greatly appreciated:

The Company in the Community Questionnaire

All information provided in this questionnaire will be kept completely confidential. Data will be aggregated with all other responses and will be used only in aggregate form.

1. About your company

1.1 Number of employees employed in Hong Kong:

1-20	20-50	50-200	200-500	500-1000	1,000-2,000	More (specify)

1.2 Number of employees employed in Mainland China:

1-20	20-50	50-200	200-500	500-1000	1,000-2,000	Others (specify)

1.3 Nature of ownership:

Hong Kong, not listed	
Hong Kong listed	
Overseas listed	

1.4 Nature of ownership:

Family owned/controlled	Yes	No
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1.5 Main country/economy of operation:

Hong Kong	Other	Global

1.6 Asia Headquarter base

Hong Kong	Other	No Asia HQ

1.7 Nature of business

B2C Manufacturing (Consumer goods)	B2B Manufacturing (for other companies)	B2C Services (for retail consumers)	B2B Services (for other businesses)

1.8 Over the past four years, what has been your company’s profit trend? After marking “up” or “down”, identify which year was your best year in terms of profitability.

	Profits Up	Profits Down	Best	Worst
2000				
1999				
1998				
1997				
Best year	2000	1999	1998	1997
Worst year	2000	1999	1998	1997

1.9 Is your business presence on the Chinese Mainland growing?

Growing	Flat	Declining

1.10 How do you expect your Mainland business to change in the coming five years?

Grow Strongly	Grow	Remain Steady	Decline

1.11 Is your company or any of its businesses currently or potentially subject to Government regulation?

Yes	No

1.12 What is the proportion of your company's Hong Kong-based management that has been educated overseas at secondary or tertiary level?

0-25%	25-50%	50-75%	75-100%

2. Your company's views on its role in the Community

2.1 Pinpoint one of the following that you feel accurately represents your company view:

My company exists simply to do business	
My company makes selective contributions to community causes	
My company identifies strongly with the Hong Kong community	
My company identifies strongly with the Hong Kong community, and actively encourages staff to be involved in community	

2.2 My company takes an active role in the business/professional group representing my business sector:

Yes	No
-----	----

2.3 My company has active links with community organisations representing the needs and interests of the community in its immediate vicinity (ie: North Point, Tuen Mun, Sheung Wan, etc...)

Yes	No
-----	----

2.4 Reasons for Community involvement (you may check more than one box)

Building a good local reputation	
Building links with key client groups	
Compliment to marketing activities	
Motivating/building team spirit of staff	
Attracting quality recruits	
Tax and other financial benefits	
Other:	

3. About your company's position on philanthropy

3.1 My company increases/decreases community giving depending on profitability:

Yes	No
-----	----

3.2 My company designates a fixed proportion of annual profits to philanthropic causes:

Yes	No
-----	----

3.3 If yes, this proportion is:

0- 1/2 %	1/2 - 1 %	1% +
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3.4 The sum contributed to Hong Kong causes in the year 2000 was approximately:

>HK\$10,000	HK\$10,000-50,000	HK\$50,000-500,000	HK\$500,000-1 million	HK\$1 million<
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3.5 How does this sum compare with the previous three years?

Higher	Same	Lower
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3.6 Of all contributions to Hong Kong causes, the share given to the Community Chest was:

None	Up to 50%	Over 50%	All
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3.7 The sum contributed to Mainland causes in the year 2000 was approximately:

>HK\$10,000	HK\$10,000-50,000	HK\$50,000-500,000	HK\$500,000-1 million	HK\$1 million<
-------------	-------------------	--------------------	-----------------------	----------------

3.8 How does this sum compare with the previous three years?

Higher	Same	Lower
--------	------	-------

3.9 To what extent over the past five years have philanthropic and community contributions on the Mainland and elsewhere outside Hong Kong limited the resources available for giving to local Hong Kong causes:

Significantly	Moderately	No effect
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3.10 To what extent going forward will philanthropic and community giving on the Mainland and elsewhere outside Hong Kong lead to cuts in the resources available for giving to local Hong Kong causes:

Significant cuts	Moderate cuts	No effect	Uncertain
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3.11 If your company contributes significantly in kind, rather than cash, please indicate the size and form of this contribution:

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3.12 My company has specific staff designated to handle philanthropic activity

Yes	No
-----	----

3.13 The person shaping the priorities for philanthropic activity is:

Chairman/CEO	
Finance Director	
Other designated board member	
Head of Human Resources	
Head of Communications	
Head of Marketing	
Other:	

3.14 My company has a formal organisation/foundation to coordinate philanthropic causes:

Yes	No
-----	----

3.15 The sectors prioritised by my company for philanthropic focus are (pick up to three):

Health/medical	
Poverty/disability/aged	
Religion	
Education/scholarships	
Research	
Environment	
Animals	
Children	
Heritage	
Sports	
Culture/ the Arts	
Promoting Hong Kong	
China	
Disaster appeals	
International/other	

3.16 If the present head of my company changed, would the philanthropic focus be likely to change?

Yes	No
-----	----

4. About your company's position on volunteerism

4.1 My company has a formal scheme in place to encourage/facilitate voluntary activity by staff:

Yes	No
-----	----

4.2 If yes:

4.3 Approximate proportion of staff heavily involved:

Up to 1%	1%-5%	5%-10%	10%-20%	20% and over
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4.4 Approximate proportion of staff occasionally involved:

Up to 5%	5-10%	10-20%	20-50%	50% and over
----------	-------	--------	--------	--------------

4.5 My company gives time off to staff involved in voluntary activity:

Yes	No
-----	----

4.6 My company provides matching funds to staff raising money for charity:

Yes	No	In specific circumstances
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4.7 Do any members of your seniormost management team (or their husbands/wives) sit on the board of any Hong Kong-based charity organisations?

Yes	No
-----	----

4.8 Does this shape the focus and priorities of your company's philanthropic activity?

Yes	No
-----	----

5. About the future

4.1 Has the 1997 transition altered your company's attitude to community activity inside Hong Kong?

Yes	No
-----	----

4.2 Following Hong Kong's transition to Chinese sovereignty, would your company consider devoting more philanthropic resources to Mainland causes:

Yes	No
-----	----

4.3 Do you expect to increase/decrease your company's philanthropic commitments in future?

Increase	Decrease	No Change
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4.4 Which of the following (if any) would persuade your company to commit more resources (either cash or in terms of individual time) to philanthropic activity, in order of importance: (1 = most important, 7 = least important)

Rising profits	
Increase in Hong Kong-based operations	
Increase in Mainland-based operations	
Staff requests for enhanced involvement	
Tax breaks for philanthropic spending	
Government matching funds	
Rising welfare/community needs	

4.5 Optional Concluding observation on how companies' philanthropic contributions in Hong Kong might be meaningfully enhanced/incentivised:

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We would also like to update your email address (optional)

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- End -
Thank you very much!

REFERENCES INDEX

Ch	Section	No	References
4	I	1	Section 88 of the Inland Revenue Ordinance defines a charitable institution as where the profits of a trade or business is used solely for charitable purposes and are not substantially expended outside of Hong Kong. Please refer to http://www.info.gov.hk/ird/eindex.htm for the full text of the ordinance.
		2	See Lam Fung-wai and James Perry, "The role of the non-profit sector in Hong Kong's development, and Suzy Moser, "Philanthropy in Hong Kong – an American's perspective.
		3	See Suzy Moser
		4	See Suzy Moser
		5	Hong Kong Monthly Digest of Statistics, Jan 2001
		6	See findings in Chapter 4, Section II
		7	Many of Hong Kong's listed companies remain strongly family owned, normally with 75% of the shares held by family owners, and just 25% of shares trading in the equity market.
		8	See findings in Chapter 4, Section II
		9	See http://www.forbes.com/forbes/2000/0703/6515254a.html
		10	See http://www.forbes.com/forbes/2000/0703/6515254a.html
4	II	1	See Table •
4	III	1	Capital Research Centre, "Mandate for Charity," January 2001
		2	James Glassman, "The Advocacy Masquerade"
		3	For a more thorough review of this position, see Joint Tables supplementary paper A on Education, Advocacy and Political Activity, website ref: http://www.ccp.ca/information/documents/joint_table/gd46e-pa.htm
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		6	See "Global Civil Society: Dimensions of the nonprofit sector", Lester M Salamon et al, Johns Hopkins Center for Civil Social Studies, 1999

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		7	See http://www.corporate-citizenship.co.uk/articles.htm
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		9	See Appendix D on Philanthropy in China
		10	See Alan Reynolds, Hudson Institute, and “The Economics of Giving”, National Commission on Philanthropy and Civic Renewal, at http://www.centerforrenewal.org , and “How a flat tax would affect charitable contributions”, John S Barry, Heritage Foundation, at http://www.heritage.org/library/categories/budgettax/bg1093.html
		11	Alan Reynolds, Hudson Institute
		12	See “Research Briefing Charity Tax Review”, CAF Research
		13	Hargreaves and Christie, “Tomorrow’s Politics: The Third Way and Beyond
		14	See Table 3
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