

CHAPTER 13

PHILANTHROPIC INTERMEDIARIES

*Eva Liu***I. Definitions, methodology and background***Definition*

- 1 This study has followed the JHU definition in broad terms regarding philanthropic intermediaries and voluntarism promotion. We have classified philanthropic intermediaries into two main categories: (a) grant-making foundations and (b) operating foundations. Grant-making foundations are those that generate their own income from their own privately owned capital assets, receive regular requests for support, and give financial support to what they believe to be deserving cases. Operating foundations comprise those that have declared areas of interest and at the same time have at their disposal both the funds and the staff to engage directly in the actual work which falls in their declared target area of interest. Often they may raise funds from the public and for that purpose deem it necessary to maintain a certain level of public attention. We have excluded corporate foundations as they belong to the market sector. Interested readers may refer to the CPU-commissioned study on the subject published by Golin/Harris Forrest in 2001. We have also excluded funds that are 100% funded or managed by the Government, such as hospital funds or welfare funds of the disciplined services, since they belong to the state sector. Also excluded are private schools funds, since most of them are profit-making in nature.

Methodology

- 2 We wrote to eight grant-making foundations and successfully interviewed six. We conducted interviews with six operating foundations and received input by mail from the seventh.
- 3 These foundations were selected for interviews (with 12 interviews being successful) because they are well known in their fields and have been active in philanthropic-related activities. The purpose of the interviews is to enhance the currency and accuracy of this study. A list of participating organizations has been deposited with the Central Policy Unit and not published in this report as nearly all of them have indicated that they preferred anonymity for full and frank discussion of the matters concerned.
- 4 We conducted a postal survey of samples selected randomly from the List of Approved Charitable Institutions and Trusts of a Public Character, 2002, published in Special Supplement No. 4 to the Government of the Hong Kong Special Administrative Region Gazette No. 30 of 26 July 2002. A total population of 841 non-profit organizations was found. After excluding 24 funds managed by the Government or by schools, 817 organizations were included in the sampling frame. We then made a random sampling of 20% and mailed questionnaires to 163 organizations.

- 5 Twenty-five responses were received, but one responding organization classified itself as non-Third Sector, resulting in only 24 valid responses. Apart from a couple of organizations that raise funds from the public every year, most of the responding organizations are not well known in the Hong Kong community. As such, their responses may paint a picture different from the one we gathered from interviews with the larger, better known and probably more organized philanthropic intermediaries.
- 6 The 24 valid responses give a total response rate of 15.2% for the Philanthropic Intermediaries sub-sector area, which is lower than the overall response rate of 23.7%. As a result, we would not use the statistics obtained to project and make estimates on the larger population of the philanthropic community in Hong Kong, but rather would use them to paint a picture of the community as represented by our respondents, supplementing this with interview data where appropriate. Again, a list of the organizations included in the sampling frame and those that responded has been deposited with the Central Policy Unit and not published in this report for privacy reasons.
- 7 Given the general lack of knowledge about foundations in international studies and the limited scope of previous studies about philanthropic intermediaries in Hong Kong, the information gathered from interviews and 15% survey response rate from this study will help shed light on how philanthropic intermediaries operate in Hong Kong.
- 8 The researcher here is not aware of other significant studies that have been published on private philanthropy in Hong Kong. Nonetheless, the researcher is aware that quite a number of grant-making foundations pay taxes. In other words, they did not apply for tax-exemption status under the Inland Revenue Ordinance and are not on the List of Approved Charitable Institutions and Trusts of a Public Character. It was not possible for us to discover their profile and operations from this study. As a result, the picture we draw from our study does not include them.

Background

- 9 According to Greek mythology, mankind's first benefactor was the Titan, Prometheus, who gave fire, previously the exclusive possession of the gods, to mortal man. For this act Zeus condemned Prometheus to be bound to a mountain peak, forever exposed to burning sun and bitter cold. In *Prometheus Bound* by Aeschylus (525-456 B.C.) Prometheus's captors tell him his punishment is the reward of his *philanthropos*. Scholars have offered various translations for the word: philanthropy, man-loving disposition, loving kindness, love of mankind, human charity, fostering mortal man, championing mankind, and helping men.¹
- 10 The role that philanthropy can potentially play in Hong Kong has always been great as the Government has traditionally adopted a low tax rate to foster an environment most conducive to free enterprise. While this low tax rate has been instrumental in promoting economic growth, it also means that the Government has a smaller budget.² Clearly, basic needs have to take priority over offering a

comprehensive welfare programme, the deficiencies of which have to be filled or supplemented by other sources.³ As traditional Chinese ethics encourage the “haves” to help “have-nots”, particularly among their immediate relatives and acquaintances, the stage has been set for the entry of numerous philanthropic organizations.

- 11 The tradition of giving anonymously, coupled with lax government regulation on the operation and activities of philanthropic organizations, seems to have resulted in no formal registration or coordinating body for philanthropic activities. Foundations in Hong Kong reportedly prefer a low profile existence to maintain a high level of flexibility in their philanthropic activities. This is probably because the majority of foundations in Hong Kong are relatively small and not organized in such a way as to be able to handle a large number of applications, and the size of their disposable funds is limited in the context of a large number of institutions and individuals knocking on their doors. Applications are considered based on an intricate network of personal relationships as well as recommendations by past beneficiaries. While this gives foundations maximum flexibility concerning their activities, it tends to keep liaisons among foundations to the level of insignificance. Coordination among themselves for more effective philanthropy seems to be a major challenge for foundations in Hong Kong looking into the future.⁴ A number of studies have been done by academics into charitable organizations in Hong Kong, primarily from a historical or sociological angle. The following is an abstract of studies made about three different organizations representing different stages of social development of Hong Kong. They are the Tung Wah Group of Hospitals, the Po Leung Kuk and the Community Chest.

Traditional charities

- 12 The first traditional charity groups emerged in the mid- to late-19th century. Originally established as voluntary organizations directly involved in helping the disadvantaged, e.g., providing shelter for the poor and the sick and aiding victims of crimes such as kidnapping and abduction, they have developed into sophisticated philanthropic organizations over the years, managing hospitals and providing welfare and educational services. Their main financial sources are, typically, individual donations and fund-raising campaigns as well as government subsidies.
- 13 One of the most representative organizations of this category is the Tung Wah Group of Hospitals (linked historically with the foundation of the Kwong Fook I-ts'z in 1851, which provide “a wider spectrum of traditional Chinese charities...[including] non-profit-making funeral parlours and ...temples and soothsayers' stalls” than any other organization in Hong Kong on top of the usual welfare and educational services such as five hospitals, two herbalist clinics, 14 secondary schools, 17 homes and hostels for the elderly, and 14 day nurseries. In 1869, when a Chinese hospital to be named Tung Wah was planned and organized, its Committee consisted of the wealthiest and most influential members of the Chinese community in Hong Kong. It was the first permanent Chinese association which could justifiably claim to represent the whole Chinese community, and more importantly, to be recognized by the Government as an

elitist group. In many ways, the Committee resembled Chinese local elites in China itself. It arbitrated disputes, carried out a wide range of charitable works, supported education, upheld moral principles, and acted as the medium of communication between the local population and the British colonial government in Hong Kong. These functions were all the more necessary since the Hong Kong Government was for the most part unable or unwilling to perform them.⁵ This was not just the situation in the 19th century. Even in the 20th century, the chairmanship of the Tung Wah Group of Hospitals⁶ remained a coveted post, and its Board of Directors remained the avenue for ambitious Chinese on their way up the social and political ladder in Hong Kong. As late as 1933, Sir Lo Man-kam, who was chairman in 1929, likened the position to the “unofficial mayor of the Chinese community”. Together with the Chinese Chamber of Commerce and the Po Leung Kuk, the Tung Wah Groups of Hospitals continued to speak and act on community issues. The Government continued to pay it great deference and to see it as a major stabilizing force.⁷

- 14 Important changes, however, did take place. Financial dependence on the Government increased. From 1903 a government grant of \$6,000 was made annually, a welcome addition as guild subscriptions began to decline. At the same time the Committee’s autonomy was curtailed when the Government appointed an Advisory Board to play a consultative role in the management of the hospital, in effect, institutionalizing government influence and eroding the Hospital Committee’s autonomy. In time, other newcomers to Hong Kong established their points of influence and the Tung Wah Hospital Committee was not able to represent increasing sectors of the rapidly growing and changing society.

- 15 Another organization very representative of this category is Po Leung Kuk, which manages 15 institutions for residential care for deprived or underprivileged children, mentally retarded people, and unmarried mothers. In addition, it operates 25 daycare nurseries; seven centres for rehabilitation services for the retarded and 14 kindergartens. Po Leung Kuk was established to protect women and children from human trafficking, a practice that was prevalent in Southeast Asia in the late 1800s. In 1878 a group of Chinese merchants petitioned the Hong Kong Government to set up a bureau to assist in the arrest of kidnappers of women and children and to provide lodging for the rescued. In August 1882, the Po Leung Kuk Incorporation Ordinance was enacted, and a site was allocated in 1891. The erection of the Kuk premises were completed in November 1896 and an increasing number of women and children in care moved in. The main role of the Kuk in its early years was to suppress abduction, arrange for adoptions and marriages and mediate in family disputes. Towards the end of the 1930s, following the prohibition of prostitution and slavery by the Government, kidnapping gradually died down. However, after World War II, a large influx of refugees, including many destitute women and children who suffered from ill treatment or abandonment, made it necessary for the Kuk to increase its intake and emphasize teaching and training of its inmates.⁸

The Community Chest of Hong Kong

- 16 Even as Hong Kong was recovering from the trauma of World War II, it was inundated by a huge influx of refugees from China who were trying to escape from the ravages of the civil war. Hong Kong's population rose from 600,000 in 1946 to almost two million in 1951. Innumerable problems were created by the lack of physical space and resources. It has been said by some that the 1950 – 1965 period was the golden age of social service in Hong Kong. Many small voluntary welfare agencies were set up to provide relief and other services; some were church-related, some were district-related, and some were formed by paternalistic, good-natured citizens solely for the purpose of doing good, many on an ad hoc basis and on a small scale.
- 17 The Community Chest of Hong Kong was set up in 1968 to provide an organized approach to fund-raising. Money is raised from the public to be allocated among its member agencies, whose activities range from care of the aged to services for families and children. They reportedly provide the bulk of private welfare services in Hong Kong. The Community Chest falls into the category of operating foundation. Its philanthropic function is clear and it raises funds from the public. In 2002-03, a total of \$182,051,600 was raised and allocated to its 143 member agencies.

Private philanthropy

- 18 The Hong Kong Council of Social Service compiles a *Directory of Funding for Social Services*, the first issue of which was published in May 1992. The directory portrays the profiles of 31 private foundations, a third of which are also included in the *Directory of Charitable and Trust Funds* published by the Home Affairs Bureau. The council's first *Directory* states in its foreword that "there are a number of charitable and trust funds which are used to provide relief and financial assistance to members of the general public or of specified groups in the community in Hong Kong" and explains that "most of them are private funds with scattered information and there is no centralized information about them." Alice Yip, in her study conducted in 1993-94, reported that she observed two outstanding patterns in Hong Kong private philanthropy: support for education and environmental concerns (represented by Hong Kong Bank Foundation, the Hong Kong Telecom Foundation, K.P. Tin Foundation, and the Law Foundation) and support for tertiary education (represented by the Shaw Foundation, The Croucher Foundation, and the C.C. Hsu Educational Foundation).⁹
- 19 Many interviewees told us that the reason for their establishment was to fill in the gap between the supply and demand sides. One private grant-making foundation told us that when it was formed in 1979 it served the mentally ill and mentally handicapped because the Government was not doing enough in this area. Today, with changing community needs, it has extended its scope to all types of social services.

II. Current picture from the study

The landscape

Nature and background

- 20 The six grant-making foundations that we interviewed mostly generate their own income from their own capital assets and provide financial support for education or medical services in Hong Kong or China mainland. All their founders are very successful businessmen in Hong Kong. Their establishment was driven by a genuine desire to help the less fortunate members of society, or from a sense of mission to contribute to the modernization of China, and not for tax-dodging purposes.
- 21 Two out of six operating foundations that we interviewed have religious backgrounds, reflecting the long history of provision of social services such as education, health, and welfare services by the churches in Hong Kong. Two other operating foundations are related to specific diseases, one a leading cause of death in Hong Kong and one that is not yet curable. Two other organizations provide general funding to welfare agencies and charitable and community projects in Hong Kong, acting as a “financier” of philanthropic activities in Hong Kong. The one remaining organization promotes some intangible, positive aspects of Hong Kong to the international community, thereby striving to project a positive image of Hong Kong in areas where it may not be convenient for the Hong Kong Government to do so.
- 22 Of the 24 organizations that responded to our survey, 10 (42%) identified “education and research” as their primary activity, four (17%) identified “philanthropic intermediation” as their primary activity, three (12.5%) identified “welfare services” as their primary activity and two (8.3%) identified “health services” as their primary activity. The rest identified religion, district and community related services, arts and culture and other unspecified services as their primary activities. The emphasis on education and health services is echoed.

Table 1 What services and activities does your organization carry out?

Subject areas	No. of responses	Percent
Education & research	10	41.7
Philanthropic intermediation	4	16.7
Welfare	3	12.5
Health	2	8.3
Religion	1	4.2
District & community-related	1	4.2
Arts & culture	1	4.2
Unspecified services	2	8.3
Total	24	100.0

History of establishment

- 23 Three out of the six grant-making foundations interviewed were formed between 1976 and 1984, after the industrialization of Hong Kong and before the question of the resumption of Chinese sovereignty over Hong Kong was resolved. The other three grant-making foundations were formed in 1985, 1994 and 1997 respectively.
- 24 Apart from the two church-related foundations, which were established in the early 1900s and 1970s, only one community “financier” interviewed was established before the 1970s. The remaining operating foundations were established between 1991 and 1995.
- 25 The survey indicated that 50% of the 24 responding organizations were established between 1998 and 2002, almost 30% between 1986 and 1997, and 17% between 1976 and 1985.
- 26 Therefore, although philanthropic intermediaries seem to have a long presence in Hong Kong, the fact that the majority of them were formed as foundations within the last 10 years probably show that foundations have only become a more popular device since the 1990s as a more systematic and modern approach to manage sustainable charity work.

Table 2 When was your organization first formed?

Period	No. of responses	Percent
1976-1985	4	16.7
1986-1997	7	29.2
1998-now	12	50.0
Blank	1	4.2
Total	24	100.0

Legal form

- 27 All the philanthropic foundations interviewed and all the survey responding organizations indicated that they have charitable status granted to them by the Inland Revenue Department. A total of 14 out of 24 (58%) of the survey responding organizations indicated that their legal form is “company limited” while eight (33%) indicated that their legal form is “company limited by guarantee”. Only one has adopted the legal form of a “charitable organization”.

Table 3 What is the legal form of your organization?

Legal form	No. of responses	Percent
Company Ltd.	14	58.3
Company Ltd. by Guarantee	8	33.3
Charitable organization	1	4.2
Blank	1	4.2
Total	24	100.0

Geographical scope

- 28 The geographical target beneficiaries of all the six operating foundations interviewed is the territory of Hong Kong while two out of six (33%) grant-making foundations interviewed indicated that they provide grants for scientific research and technological development in mainland China.
- 29 The survey response gives a slightly different picture: about 45% of responding organizations target neighbourhoods within Hong Kong or the whole city as their service territory; another 45% target provinces within mainland China as their service territory, while the remaining 10% target international recipients.
- 30 This shows the significance of Hong Kong as a regional centre for philanthropic intermediaries. This has recently given rise to concerns about philanthropic fund-raising activities held in Hong Kong.¹⁰

Table 4 What geographical area(s) is/are served by your organization?

Geographical area(s)	No. of responses	% of responses	% of cases
Neighbourhood(s) or districts within HK	3	7.9	12.5
Whole territory of HKSAR	14	36.8	58.3
A province or region within a province of PRC	6	15.8	25.0
Two or more provinces of PRC	2	5.3	8.3
National area of PRC	9	23.7	37.5
International	4	10.5	16.7
Total responses	38	100.0	158.3

Note: more than one answer can be circled in survey questionnaire

Pattern of governance

- 31 Governance of philanthropic foundations is exercised through a board of directors or trustees. The size of the board varies as follows: about 50% of the responding organizations have board membership of between 9 and 17, and about 30% have board membership of between 21 and 50. A similar pattern is observed about operating foundations (with larger board membership, varying between 14 and 23) and grant-making foundations (with smaller board membership, varying between five and ten). None of the philanthropic foundations interviewed or surveyed have board members who are from the public sector or the Government. Most board members are from the private sector or from non-profit organizations such as academia.

Table 5 Please quantify the size of your organization's governing board.

No. of board members	No. of responses	Percent
0	1	4.2
6-8	2	8.3
9-12	9	37.5

13-17	3	12.5
18-20	1	4.2
21-50	7	29.2
Blank	1	4.2
Total	24	100.0

- 32 Over 58% of responding organizations indicated that they have between one and five women board members while 25% indicated they have none. One organization, representing 4.2%, had six to eight women board members. The other respondents did not answer this question.

Table 6 Please quantify women board members.

No. of women board members	No. of responses	Percent
0	6	25.0
1-5	14	58.3
6-8	1	4.2
Blank	3	12.5
Total	24	100.0

- 33 In the case of many private foundations, the founder or his family members usually determine the membership composition of the governing board of the grantmaking foundations that we interviewed. For church-related organizations, membership of their governing boards is determined through election by church members. For the remaining grant-making foundations, membership of the governing boards is determined by appointment through consultation.
- 34 Board membership of philanthropic intermediaries that responded to the survey is determined as follows: (a) between 40% and 50% of organizations have board members voted into office by registered members; (b) approximately 33% of organizations have board members appointed by headquarters; (c) the remaining organizations have board members recruited through other means.

Table 7 Please describe the way board members are recruited or selected.

Method of recruitment	No. of responses	% of responses	% of cases
Voted by registered members	12	42.9	50.0
Appointed by headquarters	9	32.1	37.5
Other means	3	10.7	12.5
Blank	4	14.3	16.7
Total	28	100.0	116.7

Note: multiple responses are allowed in survey questionnaire.

Role in economy

Employment

- 35 Apart from one grant-making foundation interviewed that employs one dedicated staff member, the remaining five grant-making foundations have people who are

often full-time staff employed by the businesses owned by the relevant founders or their families, and who work on the foundation-related business as a side interest, at times on a voluntary basis.

- 36 Three of the operating foundations interviewed have paid staff, varying in number from 7 to 43; the remaining three do not have paid staff.
- 37 The picture is reinforced through survey responses: a total of 67% of organizations indicated that they do not employ any full-time staff while 25% indicated they employed between one and ten full-time staff members. Only one out of 24 responding organizations indicated they employ between 21 and 50 staff members. Even for part-time employment, the picture remains similar: over 54% of the responding organizations indicated that they do not employ any part-time staff while 42% did not answer the question.
- 38 As such, we can conclude that larger, better-known operating foundations have a more formal and permanent structure; hence, they provide more employment opportunities. Otherwise, the employment effect of grant-making foundations or other smaller, lesser known philanthropic intermediaries based on this study is insignificant.

Table 8 Number of full-time employees as of Oct. 1, 2002

No. of full-time employees	No. of responses	Percent
0	16	66.7
1 – 10	6	25.0
21 – 50	1	4.2
Blank	1	4.2
Total	24	100.0

Table 9 Number of part-time employees as of Oct. 1, 2002

No. of part-time employees	No. of responses	Percent
0	13	54.2
1 – 10	1	4.2
Blank	10	41.7
Total	24	100.0

Table 10 How much time an average part-time employee works during the year?

No. of half-days per week	No. of responses	Percent
0	1	4.2
5 – 6	2	8.3
9 – 10	1	4.2
Blank	20	83.3
Total	24	100.0

Table 11 How much time an average part-time employee works during the year?

No. of days per year	No. of responses	Percent
0	1	4.2
11 – 30	2	8.3
31 – 50	1	4.2
Blank	20	83.3
Total	24	100.0

Table 12 How much time an average part-time employee works during the year?

No. of hours per year	No. of responses	Percent
0	1	4.2
Blank	23	95.8
Total	24	100.0

Note : Please note that the responses to each of the above questions in Tables 10, 11 and 12 may come from different organizations. Therefore, the numbers are not related to each other; hence, they are not consistent if interpreted as if the same organizations answered these questions.

Expenditure

- 39 The size per grant given out by the six grant-making foundations interviewed vary between \$100,000 and \$5 million; the number of grants between eight and 433 per year.
- 40 The size of grants given out by the six operating foundations interviewed varies from \$10 million per annum to \$1.065 billion per annum; the number of grants varies.
- 41 Over 40% of survey responding organizations have recurrent expenditure below \$100,000 per year, with an additional 30% having recurrent expenditure that varies between \$100,001 and \$500,000 per year. Since most of the survey-responding organizations do not have permanent staff, it can be assumed without too large an error that their recurrent expenditure is mostly spent on their primary activities, i.e. education, philanthropic intermediation, welfare and health services.

Table 13 Recurrent expenditure for organization in the past year (HK\$ per annum)

Recurrent expenditure (HK\$/year)	No. of responses	Percent
Less than \$100,000	10	41.7
\$100,000 - \$250,000	4	16.7
\$250,001 - \$500,000	3	12.5
\$750,001 - \$1,000,000	1	4.2
\$1,000,001 - \$2,000,000	4	16.7
\$2,000,001 - \$5,000,000	2	8.3
Total	24	100.0

Source of income

- 42 The source of income for all six grant-making foundations is through returns on the capital made available through endowment or donation from the benefactors. The source of funds for the two church-related operating foundations interviewed is mostly individual donations and investment returns, including rental income. The source of income for the four other operating foundations is also through investment returns, government transfers, and donation from other philanthropic intermediaries.
- 43 The primary source of income for the 24 survey-responding organizations is private donation or sponsorship (67%). Only one out of 24 survey-responding organizations identified “other fees and charges” as a primary source of income.

Table 14 Ranking of largest source of operating income in the past year

Source	No. of responses	Percent
Private donation or sponsorship	16	66.7
Other fees and charges	1	4.2
Others	2	8.3
Unspecified	5	20.8
Total	24	100.0

Role in society

- 44 Grant-making foundations provide funding for those activities which their founders or trustees have dedicated the foundations to support. They are usually not responsible for the content of those activities. Of the six grant-making foundations we interviewed, two support education, one supports medicine, while the three remaining ones support charitable work in general. Of interest is that of the two foundations which make grants to support education, one targets scientific research in mainland China only, while the other supports scientific research efforts in the mainland, Taiwan, Hong Kong and Macao.
- 45 Operating foundations provide funding for the activities for which they were designed. For the two church-related organizations we interviewed, they accumulate wealth derived from donations or investments and in turn provide a wide range of social services, including education, health care and service for the elderly, in addition to promotion of their religious beliefs. Like many other funding bodies, religious organizations both disburse their own funds raised through donations and act as implementing agents for other funders. For the disease-related organization we interviewed, it carries out campaigns to raise funds for public education and to provide support services to those affected. For the two community-related foundations we interviewed, they receive income from the activities they organize and then disburse funds for other agencies to support charitable and community projects for the disadvantaged and less fortunate in society. A number of foundations we interviewed indicate that on top of making grants, they also help agencies develop their corporate plans, hence, contributing to raising the professional levels in the Third Sector. For the

organization concerned with promoting an overall positive image of Hong Kong, it organizes high-profile conferences and exhibitions to promote the positive aspects of Hong Kong both locally and overseas.

- 46 In summary, both the grant-making and operating foundations we interviewed play the role of philanthropic intermediary and, for some, also the role of service provider. As philanthropic intermediaries and by setting certain standards required, operating foundations, in particular, contribute to raising the standards of management of the Third Sector in Hong Kong.

Membership and service

- 47 The organizational form of philanthropic intermediaries can be membership and non-membership. A membership organization serves its own members whereas a non-membership organization may serve certain target beneficiaries outside its immediate circle.
- 48 Grant-making foundations are not normally constructed on the basis of memberships. For operating foundations, church-related organizations are membership organizations although they may serve a wider section of the population than just their members, in particular, in the delivery of social services such as education and health service. For some charities set up to centralize community fund-raising or for grant-making, the members of their organizations may engage in activities unrelated to the philanthropic division (e.g. members of the Jockey Club) or members of the organization are in fact charitable service agencies which would receive benefits, e.g. Community Chest. For some disease-related organizations, members may not be patients afflicted with the disease, but could be patrons keen to donate or volunteers keen to help in public education or patient support. Again, the organization would serve a wider section of the population than its members.
- 49 For the 24 survey-responding philanthropic organizations, 11 (46%) have registered members while another 11 (46%) have no registered members. As for the recipient beneficiaries of the philanthropic organizations, a total of nine (38%) organizations serve primarily the public outside Hong Kong. Only two (8%) organizations serve members only or primarily members and some members of the public in Hong Kong, while an additional five (21%) organizations serve primarily members of the public at large in Hong Kong. For those organizations that provide service to public users, six (31.6%) organizations serve between 101 and 500 public users per year while 3 (16%) organizations serve between one and 50 public users per year and three (16%) organizations serve between 5,001 and 10,000 public users per year. Two (11%) organizations responded that they each serve over 20,000 public users per year.

Table 15 Does your organization have membership registered in some form as of Oct.1, 2002?

Registered members	No. of responses	Percent
Yes	11	45.8
No	11	45.8

Blank	2	8.3
Total	24	100.0

Table 16 How many members are there in your organization?

No. of members	No. of responses	Percent
1 – 50	9	69.2
51 – 100	2	15.4
Blank	2	15.4
Sub-total	13	100.0
Not applicable (table [] above)	11	
Total	24	

Table 17 Who receives the service provided by your organization?

Recipients	No. of responses	Percent
Members only	1	4.2
Nobody: we do not provide service	4	16.7
Primarily members and some members of the public in Hong Kong	1	4.2
Primarily public at large in Hong Kong	5	20.8
Only the public at large in Hong Kong	2	8.3
Primarily the public outside Hong Kong	9	37.5
Blank	2	8.3
Total	24	100.0

Table 18 How many public users does your organization serve in a year?

No. of public users	No. of responses	Percent
1 – 50	3	15.8
51 – 100	1	5.3
101 – 500	6	31.6
501 – 1,000	1	5.3
1,001 – 5,000	1	5.3
5,001 – 10,000	3	15.8
Over 20,000	2	10.5
Blank	2	10.5
Sub-total	19	100.0
Not applicable (table [] above)	5	
Total	24	

Volunteerism

- 50 None of the grant-making foundations disclosed whether they involve volunteers in their operations.
- 51 Of the six operating foundations, three indicated that they have volunteers working at board level as trustees or as experts in committees. One church–

related organization told us that they had over 500 volunteers working in various capacities in management or other voluntary work.

- 52 Of the 24 survey-responding organizations, 12 (50%) indicated that they use volunteers while 11 (46%) indicated otherwise. For those 12 organizations that use volunteers, 50% of them (six organizations) indicated that they used between one and ten volunteers in the past year while 25% (three organizations) indicated they used between 11 and 30 volunteers during the past years. Of their volunteers, 42% (five organizations) indicated that between 1% and 25% of their volunteers, and another 42% (five organizations) indicated that between 76% and 100% of their volunteers were their members. Of the 12 organizations that use volunteers, 67% (eight organizations) reported voluntary work of between one and 30 hours in the past year per volunteer. As the information gathered was not sufficient to draw a very clear picture of the whole population of philanthropic intermediaries, volunteerism in philanthropic intermediaries appears to be one area that merits further study.

Table 19 Does your organization use volunteers?

Use volunteers	No. of responses	Percent
No	12	50.0
Yes	11	45.8
Blank	1	4.2
Total	24	100.0

Table 20 How many volunteers did your organization use during the past year?

No. of volunteers	No. of responses	Percent
1 – 10	6	50.0
11-30	3	25.0
31 – 100	1	8.3
501 – 1,000	1	8.3
Blank	1	8.3
Subtotal	12	100.0
Not applicable (table [] above)	12	
Total	24	

Table 21 Of your volunteers, how many are your members?

Overlap of volunteers and members	No. of responses	Percent
0%	1	8.3
1 – 25%	5	41.7
76 – 100%	5	41.7
Blank	1	8.3
Sub-total	12	100.0
Not applicable (table [] above)	12	
Total	24	

Table 22 How much time did an average volunteer work during the past year?

Time an average volunteer worked	No. of responses	Percent
5 – 6 half-days/week	1	8.3
9 – 10 half-days/week	1	8.3
Blank	10	83.3
Sub-total	12	100.0
Not applicable (table [] above)	12	
Total	24	

- 53 From this study, we can catch a snapshot of the landscape of philanthropic intermediaries in Hong Kong. They can be seen to perform a role of channelling private funds to purposes set by the founder to be carried out by trustees, or to purposes which are for general community benefits. Their reach may extend beyond their members to a much larger public, even if they are a membership organization. An interesting note is that there are as many philanthropic organizations which provide service to beneficiaries outside Hong Kong as there are within Hong Kong, signaling the significant role played by Hong Kong as a source of philanthropic funds for regional community improvement. Conversely, this finding echoes recent opinions aired by organizations on charitable organizations which compete for funding in Hong Kong but which serve people or organizations outside Hong Kong.¹¹
- 54 Philanthropic intermediaries also provide a forum for professionals or academics in particular to play a part in shaping where private funds go. In addition, one philanthropic intermediary which provides funds for many community projects also provides expertise to assist other third sector organizations to write grant application proposals. To a certain extent, this effectively raises the professional standard of the Third Sector in Hong Kong. This is important in building the capacity of the Third Sector in providing financial support to satisfy needs which cannot be met by the Government or the market.

III. Links among the Government, the market and the Third Sector

- 55 The Government has been acting as both a grant-making and an operating foundation, providing funding for causes such as environmental protection, SME operation, services for the mentally handicapped and the mentally ill and education of the gifted or talented. In recent years, even more Government funds have been established. The Government not only provides capital but also, in most cases, directly participates in the operation and management of the funds. Some foundations we interviewed indicate that the Government could have communicated more with private foundations on the best practices but have not done so.
- 56 The worsening fiscal deficit problem has led to the need to cut public expenditure. In this connection, the Government has suggested to look to outside funding. For example, it announced in the 2003-04 Budget: “To encourage universities to be more proactive fund raisers, the Government will set up a \$1 billion fund to award matching grants to universities which succeed in securing private donations for purposes other than the construction of campus buildings”.

While this may not be a deliberate policy to promote private donation, it may, however, change the landscape of private philanthropy forever. The researcher suggests that, where possible, further studies be conducted in a couple of years to see if the matching fund helped promote philanthropic activities.

Links between the Government and philanthropic intermediaries in the Third Sector

- 57 Financial contribution to different causes in the community from a systematic private source either fills a niche which is not covered by the public sector or reinforces an existing government effort by topping it up to make greater impact. It would seem desirable if the public sector and private benefactors could maintain some form of co-ordinating relationship, for the benefit for the community.
- 58 Yet the relationship between grant-making philanthropies and the Government is bound to be most delicate. This is particularly so in the case of private grant-making foundations whose potential has yet to be maximized. It is clear, from our understanding of existing private foundations, that strong government supervision would most likely produce a disincentive on private benefactors, who, if imposed upon, always have the choice of making an exit from charitable giving altogether.
- 59 Some organizations interviewed, however, observed that there used to be more communications with certain government departments, which enabled them to know which areas might need private funding; hence, they felt they were more like partners in providing financial support to sectors of the society that might have been left without any support. However, this consultation was apparently reduced after 1997, and they lamented the loss of a feeling of partnership in providing service to the public.
- 60 On the whole, it would seem desirable to explore a modus operandi whereby reasonably comfortable rapport could be achieved for better understanding between the Government and private organized philanthropies. In such efforts, the Government is sensitive to the fact that most private benefactors prefer to be dealt with individually and not in groups. Our observation also suggests that, at least in the initial stages, it may be preferable for such liaison work to be informal.
- 61 Through such liaison work, the Government may also be more accurately apprised of the do's and don'ts of individual grant-making bodies. In this way, the Government may from time to time even explore their interest in *specific* programmes, projects and problems rather than resorting to the public purse.

Links between the market and philanthropic intermediaries in the Third Sector

- 62 By their very nature, philanthropic intermediaries channel funds from the private sector, i.e. the market, for disbursement to non-profit projects. A substantial number of organizations do count on professionals to provide services *pro bono* at the level of their governing board or to serve as trustees in the formulation of

grant policies and in the process of funding decisions. As a result, philanthropic intermediaries serve as a channel for both funds and expertise from the private sector for redistribution into other organizations in the Third Sector. In this regard, Hong Kong philanthropic intermediaries have served as a channel not only for Hong Kong but, increasingly, for other places neighbouring Hong Kong. This may underscore the significance of Hong Kong as a centre for philanthropic activities in the Asia-Pacific region.

IV. Major issues facing the sector

- 63 Almost all the grant-making foundations interviewed had not identified major insurmountable problems. Only one indicated that they had to respond to more applications from social service agencies due to reduced public funding.
- 64 On the other hand, the different operating foundations interviewed cited different major issues facing them at this moment. Some had difficulty raising funds as a result of the economic downturn in recent years while others had difficulty maintaining the same partnership relationship with the Government.
- 65 The survey responses indicated that the top three critical issues facing philanthropic intermediaries in Hong Kong at this moment are funding, staffing or management, and government policies. The other major issues include public awareness and issues relating to volunteers.

Table 23 Please rank the “most dominant” issue facing your organization at present

Issue	No. of responses	Percent
Funding	11	45.8
Staffing or management	4	16.7
Government policies	2	8.3
Public awareness	3	12.5
Unspecified	4	16.7
Total	24	100.0

Table 24 Please rank the “2nd most dominant” issue facing your organization at present

Issue	No. of responses	Percent
Funding	4	16.7
Staffing or management	4	16.7
Government policies	3	12.5
Public awareness	1	4.2
Others	12	50.0
Total	24	100.0

Table 25 Please rank the “3rd most dominant” issue facing your organization at present

Issue	No. of responses	Percent
Funding	1	4.2
Staffing or management	1	4.2
Volunteers	2	8.3
Public awareness and public attitudes	5	20.8
Others	15	63.0
Total	24	100.0

Funding

- 66 Income to the majority of grant-making and operating foundations interviewed is derived from investment, interest earned on deposits, or appropriations from the Hong Kong Jockey Club or other public sources. With the general downturn in the economy, these foundations have experienced a certain setback in meeting the demand made on them. This concern is supported by the survey findings, which showed that of the 24 responding survey organizations, 11 (46%) cited “funding” as the most dominant major issue facing them at present.

Management/Staffing

- 67 The 12 grant-making and operating foundations interviewed did not report any particular management or staffing issues. In fact, staff who were otherwise employed by the founders for their business provide a lot of support for grant-making foundations. For operating foundations, they tend to employ professional staff and they did not indicate that management or staffing was a particular issue.
- 68 Of the 24 organizations that responded to our survey, four (17%) indicated that staffing or management is as critical an issue facing them as funding (see Tables 23 and 24 above). Which particular aspects of staff or management were considered a concern were not available from the survey response. This is an area that merits further study where resources permit, as human resources are indispensable for building up the capacity of the Third Sector.

Government policies

- 69 The six grant-making organizations we interviewed did not indicate any desire for any change in government policy.
- 70 Four of the six operating foundations we interviewed, along with the other operating foundation that wrote to us, indicated a desire to see certain changes in government policies. First, there was a call for specific tax relief measures to encourage corporations and individuals to give more generously to charities.¹² Related to this was a call for more monitoring of new charities in the form of a two-year provisional licence because, after charities are granted charitable status after a stringent qualifying process, the Inland Revenue Department will no

longer have authority to ensure accountability. There have been scandals involving financial accountability and, according to interviewees, even one scandal can hurt all charities. There was also a call to establish some mechanism to ensure that at least some of the money raised in Hong Kong go to local services; otherwise, it was felt, there would be more pressure on local charities to compete for the limited money available, which would hamper efforts by local charities to meet local needs.

- 71 The two church-related organizations interviewed indicated that matching grants by the Government should be considered as a way to encourage private donation to charities. One also called for more engagement in policymaking, as frequent, unexpected policy changes in certain substantive areas such as education or hospital care make coordination difficult. There is a feeling that, contrary to previous practice, little or no prior consultation is now made before policy changes, so that when such changes are announced, many stakeholders are caught off guard and are not in a position to respond promptly with their expertise or resources. This has an adverse effect on service providers in particular.
- 72 One health-related organization interviewed indicated that a longer time frame for government funding schemes, such as three years instead of one to two years, is desirable, as lead time is required for many projects. There was also a call for the Government to consider funding cross-border activities which benefit Hong Kong people. A third call was for the Government to embrace different substantive areas in an integrated government policy instead of leaving them in their own policy areas to be handled by compartmentalized bureaux and departments.
- 73 The 24 survey-respondent organizations ranked government policies third on the list of most critical issues they face. Please see Tables 23 and 24 above.

Public Awareness

- 74 Public awareness refers to public perceptions, attitude and receptiveness towards the organizations concerned.
- 75 The grant-making foundations interviewed in general preferred anonymity and were very satisfied about not having undue public awareness.
- 76 The operating foundations interviewed did not have particular public awareness issues, apart from one that promotes the image of Hong Kong overseas, which noted that establishing a network in certain parts of the world could be a challenge.
- 77 Of the 24 organizations that responded to our survey, three (12.5%) cited public awareness as the third most dominant major issue facing them. We were not able to follow up on the reasons for this response.

Ethics

- 78 Ethics refer to honesty, integrity and organizational accountability, including transparency of operations and finances.
- 79 The philanthropic intermediaries interviewed or that responded to our survey did not indicate any particular concern on ethics, with the exception of one philanthropic intermediary, which articulated considerable concern that even one scandal could taint the whole sub-sector.

V. Conclusion

- 80 Private benefactors may well be interested in a few ideas that emerged from this landscape study. Among these are (a) a certain degree of coordination with the public sector in grants making, to avoid unnecessary duplication of support in certain programme areas and uncoordinated funding in others; (b) possibilities of matching grants offered by the Government vis-a-vis private benefactions, or if the concept of matching grants is too restrictive, top-up grants from the Government following private donations in the interest of the beneficiary. Tax relief could also be a topic of interest, as suggested in the survey, although in the case of most private grant-making foundations this was not a major issue.
- 81 The impressions that emerged from this survey also suggested that many (though not all) foundations did not perceive a need to develop its professional capacity or to embark upon an aggressive funding strategy. There is therefore no incentive for most foundations to relate to one another in any form of network for the promotion of professional interests and to pursue matters of common interest (such as initiative for co-funding of large-scale projects). Most foundations also display a general disinterest in international networking, precluding even international joint ventures that may be of benefit to Hong Kong.
- 82 The low response rate of intermediaries in this survey also highlights the problems of the seriously inadequate basic information in the public domain about philanthropic intermediaries. An important implication is that there seems to be a need to reconstruct a genuine list of private organized benefactors by eliminating bodies that claim to be charities under inland revenue legislation, but whose areas of interest are confined to one company and does not serve wider community purposes. There are also “foundations” which are essentially ad hoc in character, created for one single temporary purpose without a sustainable existence. Finally, there are of course many private foundations which are not on the charities list at all, as they prefer not to be registered as a “charity” because they pay taxes dutifully and do not see any need for fund-raising. But such foundations are among the largest benefactors of the community.
- 83 Another observation which can be made from this study is that there are certain aspects of philanthropic intermediaries which would merit further study: governance and board membership, use of volunteers, service provision, and more in-depth discussion of critical issues facing philanthropic intermediaries at present. Through understanding more about the operations and the problems that philanthropic intermediaries face, we will be able to make better use of the

combination of public and private resources for furthering the development of the Third Sector and for building up the capacity of the Third Sector in Hong Kong.

VI. Acknowledgement

- 84 We would like to express gratitude to all those who have kindly provided information to us for this research. As all have requested anonymity, we do not disclose their names here for privacy reasons.

¹ “Prologue: the First Philanthropist” in Robert H Bremner, *Giving: charity and philanthropy in history*, (New Jersey: Transaction Publishers, 1993).

² Alice Ngan Yip, “Private Philanthropy in Hong Kong” in *Evolving Patterns of Asia-Pacific Philanthropy*, edited by Ku-Hyun Jung (Seoul: Seoul Press, 1994).

³ Makito Noda, “Philanthropy and NGOs in Hong Kong”, in Tadashi Yamamoto (ed.), *Emerging Civil Society in the Asia Pacific Community: nongovernmental underpinnings of the emerging Asia Pacific regional community*, (Tokyo, Japan: Japan Center for International Exchange), 1995, pp.109-110.

⁴ Ibid, p. 110.

⁵ Elizabeth Sinn, *Power and Charity: The Early History of the Tung Wah Hospital, Hong Kong*, Hong Kong: Oxford University Press, 1989, p. 4.

⁶ In 1931 the Kwong Wah Hospital, founded in 1911, and the Eastern Hospital, founded in 1929, were amalgamated with it under a single management to form the Tung Wah Group of Hospitals. Even when the part Western medicine played grew and Chinese medicine became subsidiary, it continued to provide much-needed medical service to the Chinese community. See Elizabeth Sinn, *op. cit.*, p. 209.

⁷ Elizabeth Sinn, *op. cit.*, p. 209.

⁸ Po Leung Kuk, 120th Year Special Edition, pp1-2.

⁹ Alice Yip, *op. cit.*, pp.122-125.

¹⁰ Viz. Sunday Morning Post, January 26, 2003, page 2, “Economic woes fail to dent donations: Despite the downturn in the global economy, people are digging deep into their pockets for the local units of international aid groups. Unfortunately, such generosity does not seem as abundant for charities helping the needy much closer to home.”

¹¹ Ibid.

¹² This proposal was accepted by the Government and announced in the Budget by the Financial Secretary in March 2003.