

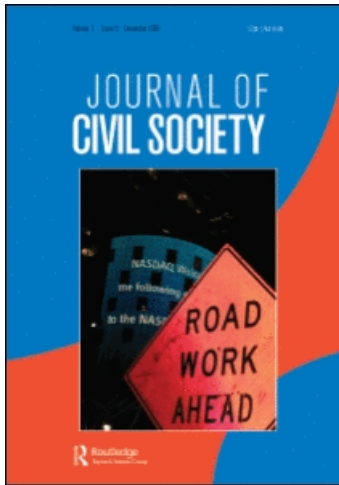
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### 'Rehabilitating Charity' in China: The Case of Project Hope and the Rise of Non-Profit Organizations

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# ‘Rehabilitating Charity’ in China: The Case of Project Hope and the Rise of Non-Profit Organizations

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**ABSTRACT** *Beginning in the 1990s, the People’s Republic of China has experienced explosive growth in the number of non-governmental organizations. This article examines one of the earliest and most influential Chinese NGOs, Project Hope, a charitable organization which solicits donations to help poor rural children stay in school. The success of Project Hope and the subsequent growth of the non-profit sector are surprising given that China arguably has no history of an organizational form like the Western donative-style charity. As such, this case offers a rare opportunity to examine the rise of a new organizational form. New institutionalist and social capital theoretical approaches will be used to analyse the social mechanisms underlying practice of donative-style charity. Chinese cultural practices of giving to the needy in the premodern era and under Mao Zedong’s socialist state (1949–1978) will be explicated to reveal the resources and constraints emerging Chinese charities faced in the post-socialist era. This article focuses on one problem that China’s first Western-style charities had to address: how to establish the practice of voluntary giving to non-governmental organizations. It examines two of Project Hope’s strategies and their consequences: (1) blurring the distinction between charitable organizations and the state and (2) building personal relationships between donors and recipients.*

**KEY WORDS:** People’s Republic of China, non-governmental organizations, non-profit organizations, charities, social capital

## Introduction

In 1989, Xu Yongguang left his position as a cadre in China’s Youth League (the junior branch of the Communist Party) to start Project Hope, a charitable organization which solicits donations to help poor rural children stay in school. By its tenth anniversary, Project Hope (*Xiwang Gongcheng*) could boast of helping over two million poor students to return to school and building more than 7000 ‘Hope’ schools in impoverished regions (2002).<sup>1</sup> It had become a household name in China. It also inspired a veritable explosion of

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Chinese non-profit organizations, focusing on the environment, healthcare and education (Ross, 2006; Stalley & Yang, 2006; Yang, 2002).

The success of Project Hope and the subsequent growth of the non-profit sector are surprising given that China arguably has no history of an organizational form like the Western donative-style charity (Shue, 1998). When Western missionaries started charities in China in the nineteenth century, the Chinese had to invent a new term to describe their strange practices: *cishan*. After 1949, the Chinese Communist Party suppressed private charitable organizations to the point that the very term *cishan* was forgotten. When charities re-emerged in the 1990s, the media felt the need to explain this unfamiliar concept. The *China Society News* stated, “‘charity,’ this long unheard-of notion, has come up again and is being relearned by the public’ (1998).<sup>2</sup>

Given these liabilities, how have Project Hope and other charities in China managed to become so successful? How do charitable and other non-profit organizations in China differ from those in the West? According to a *People’s Daily* article published in 1994, charity needed to be ‘rehabilitated’ for Chinese society. In Chinese Communist parlance, ‘rehabilitation’ refers to the transformation from politically condemned to politically acceptable, (‘Bourgeois enemies’ had to be ‘rehabilitated’ into communist comrades before they could return to society.) Learning the Western practice of charity would not be sufficient; charity would have to be adapted to Chinese circumstances.

Project Hope and other Chinese charities were founded by people who had no experience or direct contact with Western charities; in general they were former party-state cadres who felt passionate about a social problem and sought a new organizational form to address it. As such, this case offers a rare opportunity to examine the rise of a new organizational form, to see how institutional entrepreneurs (DiMaggio, 1988) negotiate constraints in the face of new opportunities. In order to understand the challenges faced by emerging Chinese charities, and to make sense of the strategies used by Project Hope in response to those challenges, we must turn to culture—not ‘Culture’ as an unchanging tradition constraining behaviour into the pathways, but instead cultural practices as dynamic repertoires of resources used to negotiate constantly changing circumstances (Swidler, 1986). I will draw upon new institutionalist and social capital theoretical approaches to analyse the social mechanisms underlying practice of donative-style charity. Then I will explicate Chinese cultural practices of giving to the needy in the premodern era and under Mao Zedong’s socialist state (1949–1978) to reveal the resources and constraints emerging Chinese charities faced in the post-socialist era.

This article looks at one specific problem that Xu Yongguang and the founders of China’s first Western-style charities had to address: how to establish the practice of voluntary giving to non-governmental organizations. Specifically, this article examines two of Project Hope’s strategies and their consequences: (1) blurring the distinction between charitable organizations and the state and (2) building personal relationships between donors and recipients. It is based on two years of research of Project Hope (2004–05), including interviews with Xu Yongguang and employees, visits to Project Hope schools and interviews with sponsored students, parents, teachers and administrators, and analysis of archival materials.

### **New Organizations and the Complications of Social Capital**

The literature on organizations has long established that new organizations are more vulnerable to failure than older ones (Galaskiewicz & Bielefeld, 1998; Hagar *et al.*, 2004;

Hannan, 1988; Stinchcombe, 1965). This risk increases if the new organization is highly innovative (Hagar *et al.*, 2004, p. 163); new organizations tend to be more successful if they do not expect their employees/participants to move too far outside their realm of competency and experience (Haveman, 1992; Kogut & Zander, 1992). Social actors tend to trust and support new organizations which seem similar to or associated with familiar organizations which they already trust (Baum & Oliver, 1992; Hsu, 2006; Ingram & Simons, 2000). As a result, organizational entrepreneurs tend to modify existing organizational forms, rather than create something radically different (DiMaggio & Powell, 1991).

Although organizational forms are inherently conservative, they can be forced to change if external conditions shift drastically in terms of regulations, market or technology (Haveman, 1992). China's market reforms, which in 1979 began the long (and still incomplete) process of dismantling the institutions of the socialist redistributive economy, certainly qualify as a sufficiently drastic transformation. Not only were existing organizations forced to change, but opportunities opened up to start new types of organizations which had been prohibited for decades (Hsu, 2006).

To understand how Project Hope negotiated these opportunities and challenges, it is helpful to turn to social capital theory (Lin, 2001, 2001a). Social capital theory examines how individuals and organizations invest in relationships to access embedded resources and gain wealth, power and reputation (Lin, 2001, pp. 29, 55). The economic rules governing financial transactions do not always apply to social capital transactions. For example, if Person A invests in a relationship with Person B to gain some valuable information, even though Person A gained that information, it was not depleted in anyway. Moreover, Person B also gained something out of the transaction: that person's reputation was enhanced. Nor did Person A 'use up' her relationship with Person B; if anything, the relationship would be stronger and closer for the exchange.

Social capital theory is useful for understanding charities in China for several reasons. First, successful new organizations must have sufficient social capital to survive (Galaskiewicz & Bielefeld, 1998; Hagar *et al.*, 2004). So how did Project Hope gain and utilize relationships to gain access to resources in its early years? It needed to establish a new kind of relationship in China: the relationship between the organization and voluntary donors, which would allow organizations to access donors' economic wealth while donors gained social reputation.

Second, social capital theory acknowledges that social capital operates under different rules in different societies, depending on the norms and mores governing relationships and appropriate behaviour. These rules are culturally specific, built upon the collective cultural repertoires of the members of the society, rooted in shared experiences and shared narratives and frameworks (Abbott, 1990; Abbott, 1992; Somers, 1992). Because culture is a toolkit of resources which actors can use in creative ways (Swidler, 1986), shared frameworks influence practices and organizations (Hsu, 2006). For example, in many Muslim societies, charitable giving historically took the form of the *waqf* (endowments) which were designed to benefit a mosque or madrasa—and the giver's own family (Kozlowski, 1998, p. 284). In czarist Russia, by contrast, orthodox Christianity framed charity as spontaneous individual compassion, which led to the practice of personal almsgiving, rather than more institutionalized forms of charity (Lindenmeyr, 1998, p. 310).

However, it is important to remember that culture is not destiny. Confucian philosophy was the state religion during certain periods of both Japanese and Chinese premodern history, and Confucian values and ideals have affected the shape of charitable practices institutions in both societies (Lindenmeyr, 1998; Smith, 1987, 1998; Tucker, 1998).

Yet, contemporary charities in Japan and China have as many points of difference as similarity, in part because Confucian concepts were institutionalized differently in each society, and in part because postwar Japanese philanthropy has been highly influenced by US practices (Tucker, 1998, p. 190), while Chinese organizations are shaped by socialism.

The rules of social capital governing Western donative-style charities are rooted in the Judeo-Christian ideology of unconditional, universal love (Constantelos, 1991, p. 3). Charities exist for one of two purposes: to do 'acts of mercy to relieve suffering and acts of community to enhance the quality of life' (Tucker, 1998, p. 169). In its ideal form, charitable organizations cannot be organized or managed by the state, and charitable giving cannot be coerced by state (Shue, 1998, p. 333). In charitable giving, the person providing the donation must not expect any *quid pro quo* from the recipient. Instead, the donors gained social capital in the form of respect from witnesses. Consequently, it is better to give to strangers than to acquaintances, since a prior relationship between donor and donee would create awkward expectations of reciprocity which cannot be fulfilled without violating the rules of charitable giving.

### **Social Capital and the Institutions of Giving in Premodern China**

There is actually a long and rich tradition of voluntary and compassionate giving to the poor and needy in China. However, while the Western concept of charity valorizes giving to strangers, the Chinese framework idealizes giving to kin. Institutionalized giving in premodern China (prior to the collapse of the imperial system in 1911) was dominated by clan-based lineage organizations. Lineage organizations cared for widows and orphans, offered grain handouts and built schools for the boys in the clan. Clan-based charity had an expansive understanding of family: clans not only kept elaborate records of lineage members, but in some cases provided for indigent people not on the official lineage records but who did have the right surname (Dennerline, 1986).

The importance of clan-based institutions reveals the explicit centrality of social capital and social networks in premodern China. The rules of social capital were based primarily, though not exclusively, on what Westerners call 'Confucianism.' According to Confucian ideology, the central organization principle of society is the Five Cardinal Relationships. These relationships are based on the two central institutions of dynastic China: the patriarchal family and the imperial court. According to Confucian teachings, if everyone acted out their social roles correctly, society would prosper. Correct behaviour is defined as affection between parent and child, righteousness between ruler and subject, distinction between husband and wife, order between older and younger brothers, and sincerity between friends (Lo & Otis, 2003, p. 136).

To understand how institutionalized giving worked in premodern China, we must understand the role of material gifts and favours in Confucian relationships. In contrast to the Western view of relationships, in which 'pure' emotional ties would be tainted by instrumental considerations, in Chinese Confucianism expressive relationships are manifested through reciprocity, especially the exchange of useful goods and helpful actions (Lo & Otis, 2003). From this perspective, to 'use' your relative to get something you want does not betray the relationship, but instead strengthens it. These exchanges are based on the logic of gift exchange (Mauss, 1967). In gift exchange, when social actors do favours or offer gifts to others, they cannot act as though they expect anything in return.

In a gift exchange, the 'relationship must be presented as primary and the exchange, useful as they may be, treated as only secondary' (Smart, 1993, p. 399). However, the norms of reciprocity (*bao*) obligate the recipients to do something in return, preferably of greater value (Hwang, 1987), so that the original giver will now be in a position of debt to the original recipient. In premodern China, this indebtedness was not a state to be avoided. Instead, it was the glue which bonded people into relationships with each other, an expression of 'warm human feeling' (*renqing*).

According to Confucian ideology, people outside the clan networks are strangers (*shengren*). Unlike family members, strangers are unconnected by social ties and therefore unconstrained by obligations or affection. In interactions between strangers, there was no basis of trust, and both parties were assumed to be motivated solely by self-interest. However, in premodern China, certain non-kin had the potential to become pseudo-kin through gift exchange. These were people who shared a '*guanxi* (relationship) base' such as the same surname, the same hometown, the same workplace or the same class in school (Tong & Yong, 1998). A '*guanxi* base' can be seen as a latent connection which could be activated into an actual relationship through the commencement of gift exchange. (In premodern Japan, by contrast, the Confucian concept of reciprocity led to the practice of giving gifts of scrupulously equal value, and avoiding starting relationships outside of one's current sphere of obligation (Tucker, 1998, pp. 171–172)).

In other words, according to Confucian ideology, from the individual's point of view, the world consists of three categories of people: kin (*jiaren*), pseudo-kin or 'friends' (*shouren*) and strangers (*shengren*). In relationships between members of the first two categories, there was a great deal of incentive to be generous, both on a personal level and through institutionalized practices, like lineage organizations. In contrast, people should have very little reason to give to strangers. Indeed, giving to strangers could be seen as immoral and irresponsible since it wasted finite resources which might be needed by kin and friends.

To return to the language of social capital theory, the rules of *guanxi* allowed social actors in premodern China to invest in relationships in order to access resources and receive economic, political and social returns, but the rules of exchange were different than those in the modern West. First, it was easy for social actors to invest in relationships with kin and certain non-kin, but very difficult to establish relationships with others. Second, once a relationship was established, it was easy to access social capital goods through that relationship; there was nothing awkward or inappropriate about asking for favours or gifts, though one should be tactful about it (Smart & Hsu, 2007). Outside of these established *guanxi* relationships, social capital goods were extremely difficult to access.

Third, the social good of reputation, or 'face' (*mianzi*) was very high. Social actors gained 'face' when many people were indebted to them, and they lost 'face' when they failed to access social capital goods for their kin and friends—or when they defaulted on the norms of reciprocity. Consequently, there was a great deal of incentive to invest in many relationships and to be quite generous in those relationships. If Person A asks Person B for a favour which B cannot provide, rather than refuse a friend, B would likely turn to another member of her network to secure the favour. As a result, relationships were highly productive under this system: when asking Person B for a favour, one was not only accessing B's resources, but the resources of everyone in B's network. Moreover, if A asks B, who asks C and who in turn asks D for the favour, reciprocity activated along the chain so that each member only 'owes' the person they asked directly.

The rules governing social capital exchange in premodern China shaped the giving institutions in the late imperial era. In the modern West, a social actor gains the social good of reputation when they give to strangers without expectation of return. If the gift comes with expectations of reciprocity ('strings attached'), the giver is considered less worthy. In contrast, according to the rules of *guanxi*, social actors gained 'face' by giving generously within their relational networks where the norms of reciprocity operated in full force. In a clan lineage organization, then, the various actors were acting out their dyadic Confucian roles through material exchange. The wealthier and more powerful members managed the organization and contributed the resources. They gained the social good of 'face,' while the weak and poor members received economic and political returns.

In addition, Confucian ideology dictated a reciprocal relationship between ruler and subject. The benevolent government should look out for the needs of its subjects, just as parents care for their children, while the subject responds with loyalty and obedience (Tucker, 1998, p. 176). Thus, in the late imperial era, the state sponsored poorhouses and orphanages (Smith, 1987, p. 310). In the Confucian framework, private charity is moot because most individuals would be embedded in a network of kin and friends. Anyone else is the responsibility of the paternalistic state.

This is not to say that charitable acts towards strangers did not exist in pre-revolutionary China. Indeed, throughout Chinese history, wealthy elites were praised for setting up temporary gruel kitchens in response to famines (Smith, 1998), and beginning in the late sixteenth century, rich men formed 'benevolent societies' to help the local poor (Smith, 1987). Yet these efforts differ from contemporary Chinese non-profits in several ways. First, most were sporadic actions, emerging in response to urgent, temporary needs, rather than lasting organizations. Second, premodern charities were local affairs where groups of friends worked together to distribute their own money, and their beneficiaries were local people who would feel bound by the norms of reciprocity. These were not organizations asking strangers to give to strangers. Third, in premodern China, charitable acts were often the result of collaboration between state officials and gentry, rather than strictly the purview of one or the other (Shue, 1998, p. 334; Smith, 1998). State officials often coerced local elites into 'charitable' action.

Consequently, when Western missionaries set up their charitable institutions in the early nineteenth and early twentieth century, these practices seemed sufficiently foreign to the Chinese to necessitate the development of a new word: *cishan*. This is the term which is used today to describe China's new charitable organizations, which shows that they are seen as the descendants of Western charities rather than Chinese lineage organizations or benevolent societies.

### Social Capital in the Communist Era

It would be highly inaccurate to imagine that the cultural toolkit of the average Chinese citizen at the turn of the twenty-first century is made up solely of practices and concepts from Chinese Confucianism. Instead, many of the cultural resources can be traced back to the experience of Marxist socialism as it was institutionalized in the twentieth century. The Chinese Communist Party, which came to power in 1949, was a self-labeled 'revolutionary' force, and as such deliberately sought to transform China's institutional and ideologies. This project was partially successful. The CCP did manage to oust Western 'bourgeois' religious charities. The Confucian patriarchal clan and its lineage

organizations were attacked as 'feudal' and de-institutionalized. Indeed, almost all non-state organizations, including private businesses and religious organizations, were either disbanded or brought under state control. Private charity was an affront to the ruling regime, an accusation that the party-state was failing in its paternalistic duties. No wonder charity had to be 'rehabilitated' in the 1990s before it could be accepted as a reasonable practice in the PRC.

Yet, even as the party-state denounced Confucianism, certain premodern ideologies and practices persisted throughout the following three decades, or evolved in unexpected ways. Far from undermining the traditional understanding of benevolent state/loyal subject, the new regime cast itself as the paternalistic state *par excellence*, one which would be so sufficient that people would no longer need their clan networks. In times of extreme disaster, such as the Tangshan earthquake of 1976, citizens would be called upon to donate money to the state's efforts, just like members of the gentry were pressured by imperial officials to contribute their wealth to famine relief in the sixteenth century.

Although the Chinese state formally dismantled the institutions of the patriarchal clan and forbade Confucian-style gift exchange, under Communism reciprocal relationships and social capital became more, not less important as a means for people to help each other. This was true for other twentieth century Marxist societies as well (Ledeneva, 1998; Wedel, 1992), and therefore reflects a common response to the institutional irrationalities of socialist institutions. The state-controlled bureaucracy managed a centrally controlled redistributive economy, which meant that most goods and services could only be accessed through bureaucratic gatekeepers. Hoarding, shortages and plain old bureaucratic irrationality made life sufficiently frustrating for citizens that they sought ways to work around the system. In China, as well as in the USSR, Poland, and elsewhere, people created shortcuts to obtain scarce goods and services by exchanging favours with friends (Kipnis, 1997; Ledeneva, 1998; Wedel, 1992; Yang, 1994).

Not surprisingly, given their cultural repertoires, many Chinese people revived and adapted the rules of *guanxi* in order to access social capital (Yang, 1994). They invested in gift- and favour-exchange relationships with useful gatekeepers so that they could bypass the irrational or obstructionist formal regulations and go 'through the back door' (*zou houmen*). In many ways, the rules which governed social capital in the socialist era were the same as those in the premodern period. The rules of gift exchange and reciprocity still applied, and social actors still gained 'face' by having many people indebted to them. Within established relationships, social capital goods flowed quite freely; outside those relationships it was immensely difficult to access anything, as anyone who had to deal with a Chinese bureaucrat or salesclerk can attest.

However, there were also significant changes in the practice of *guanxi*. Most importantly, in the socialist era the rules for establishing social capital relationships changed. As I explained earlier, in the premodern period, social capital networks were fundamentally family-based, concerning kin and pseudo-kin. In the socialist era, the patriarchal clan and kin-based networking were successfully undermined by Marxist ideology and institutions, so *guanxi* practice became untethered from *guanxi* bases (Lo & Otis, 2003). Under the new rules, social actors could build *guanxi* ties with anyone, just by starting a series of favour exchanges. The most common way to meet new *guanxi* contacts was through introductions through mutual 'friends.' Consequently, one of the best favours a person could offer a friend (or potential friend) was an introduction to a potentially useful person. Under these new social capital rules, networks expanded promiscuously.



Since people could still obtain favours from ‘a friend of a friend of a friend,’ they could reach out to a substantial population of useful contacts. As a result, although formal giving organizations by and large disappeared between 1949 and 1990, informal giving through gift exchange between friends and acquaintances reached a fever pitch (Yang, 1994). Yet this model of generosity, built on reciprocity and personal relationships, seems to have little in common with the institution of donative-style charity which arose in the post-socialist era.

### Project Hope

Why did charity (*cishan*) emerge in China in the 1990s? At the end of the 1970s, the Deng Xiaoping regime consolidated power and announced a new policy of ‘reform and opening up.’ Seeking to shrink the party-state bureaucracy, China’s new leaders permitted market practices to re-emerge and allowed more openness to contact with the outside world. The market reforms released the center’s grip on Chinese organizations, spurring a rise in new institutions and organizational forms which began in the 1980s and exploded in the 1990s. At the same time, as the state retreated and market practices became more dominant, social inequality increased. The increased geographic mobility of Chinese citizens, coupled with the growth and increased freedom of the press made social problems more visible.

One of the social problems which eventually came to the forefront of public consciousness was school dropouts. In the People’s Republic of China, the state promises children the right to nine years of compulsory education, including six years of primary school and three years of middle school. In the 1970s, one of the crowning achievements of the Chinese socialist state was that 100% of the relevant age group was enrolled in primary school (Whyte & Parish, 1984, p. 60). In the 1990s, there was a rising concern that a growing number of children were leaving school before their compulsory nine years, either because the student dropped out or because the school had inadequate resources to continue teaching. By the mid-1990s, estimates of the number of dropouts ranged between 20 million (Xiao, 1997, p. 64) and 40 million (Wu & Luo, 1995), with most sources agreeing that there were a million underage students leaving school annually.

I should point out that there is little evidence that the number of school dropouts actually increased in the post-socialist era, since the new numbers include middle school as well as primary school students. What was undeniable, however, was that educational inequality had increased drastically. The retreating national government had devolved more and more of the responsibility for education on to provinces, counties and townships, leaving poor rural regions with less funding than they had under the socialist era. Meanwhile, the market reforms had led to an economic boom on China’s eastern and southern coasts, where China’s new middle class willingly paid increasing fees to make their children’s schools more and more like First World institutions. As a result, urban children worked on computers while some rural schools struggled to have enough chalk. Remote areas found it particularly difficult to retain teachers because the state no longer controlled the job market and educated people could find better jobs in the cities.

In the 1980s, Chinese urban residents were generally unaware of the problems of rural education. Xu Yongguang, the eventual founder of Project Hope, learned of the problem because his position as a cadre in the Chinese Youth League caused him to do some research on the impoverished schools and schoolchildren. Xu chose to leave the state sector to try to found a private organization to help these people. In an interview,

he explained, 'People didn't know about the problem. They couldn't see it. And the government didn't publicize it. It didn't make them look good . . . But I felt that if people just knew about it, they would definitely want to help.' Joined by three colleagues, Xu used a donation from the Chinese Youth League and the profits from a book he had just published to start the China Youth Development Foundation (CYDF) and launch its first campaign, Project Hope, in the spring of 1989. Their first action was to send out 300,000 letters to every enterprise and bureau they could think of, seeking donations. They were initially concerned that the Education Ministry would be unhappy and block publicity on the subject, but circumstances conspired to help them. On 4 June 1989, government-ordered troops massacred the students and citizens gathered in protest outside Tiananmen Square in Beijing. Desperate for some good news to publish for the People's Republic of China's 40th anniversary, the news media seized upon Project Hope. Suddenly, Xu's brand new organization had a national profile, and educational inequality and the dropout problem had become a national issue (Wu & Luo, 1995).

### **Creating Trust: Strategies and Consequences**

Even with the favourable publicity, Xu Yongguang and his colleagues still faced the problem of convincing people to donate money to their organization. Xu quoted 2002 statistics to me—in the United States, giving averaged \$460/per person, in China about 12 cents (0.92 yuan) per person. Even taking into consideration the gap in standards of living, the difference is staggering.<sup>3</sup> Project Hope/CYDF<sup>4</sup> is a very high-profile charity in China, it is highly scrutinized, and it has a better reputation than most charitable organizations. Even so, many Chinese people view the organization with suspicion (Shue, 1998, p. 339). When I tell people in China (and recent Chinese immigrants to the United States) that I conducted research on Project Hope, most react by questioning its trustworthiness and musing aloud about what kind of shady stuff must be really going on there.

Their cynicism reflects, among other things, the Chinese suspicion of strangers and a general lack of trust for organizations. Recall that according to the contemporary Chinese rules of social capital, one can only trust those with whom one has built a reciprocal relationship based on the exchange of gifts and favours. Outside the network, it is a dog-eat-dog world where people try to exploit each other for self-gain. As a result, Chinese people tend not to trust most organizations. After all, market organizations confirm their beliefs by seeking to extract profit from them, while the state organizations have been tainted by exposes of fraud, rent-seeking and other forms of corruption (Hsu, 2001). My Chinese respondents believed that the world was full of counterfeit goods, con artists and liars. Given the difficulties for a new organization to establish trust in Chinese society, how did Project Hope manage to become as successful at soliciting donations as it has?

#### *Strategy 1: State or Private Organization?*

The first strategy used by Xu Yongguang, and copied by other non-profits, was to blur the distinction between their charitable organization and the state. Chinese people were used to the idea of the state helping the needy—that was part of its paternalistic duties. By allowing people to erroneously assume that these charities were actually state organizations, they could borrow some legitimacy. This strategy was aided by the fact that the

relationships between the charitable organizations and the state are often quite murky (Ma, 2006). At the very least, most private charitable organizations were founded and managed and staffed by former party-state cadres, such as Xu Yongguang. This is not surprising, since until the late 1980s, most people with education, ambition and leadership abilities became party-state cadres. Also, the party state has organized and controls a number of supposedly non-governmental organizations, such as the Chinese Communist Youth League and the All-China Women's Federation (Ma, 2006, pp. 82–84).

Yet the relationship between Project Hope and the Chinese Communist Party is more ambiguous. Project Hope is a campaign run by the China Youth Development Foundation (CYDF). CYDF is a private non-profit that works closely with the Chinese Communist Youth League, which is the junior branch of the Chinese Communist Party. Because the Chinese Communist Youth League already has an established presence in most Chinese communities, it helps CYDF by identifying needy schools and individuals, and also be helping distribute the funds the Project Hope raises. CYDF has received major donations from not only the Chinese Communist Youth League, but also from many other government departments and organizations, as well as individuals who hold high rank in the party-state structure (Ma, 2006, p. 102). Ever since Deng Xiaoping offered a very public donation to the organization, CYDF has enjoyed a great deal of helpful media attention from state newspapers and TV stations. However, the CYDF is independently run, it does not get any operating funds from the Youth League or the Chinese state, and its employees are not members of the government bureaucracy. In order to work for CYDF, government or Party employees must quit their state jobs and leave the state occupational hierarchy. In other words, CYDF works closely with the party-state, but is not part of the party-state structure.

On the other hand, Xu and the other founders were well aware that in naming their organization *China Youth Development Foundation*, everyone would probable assume that it was part of the *Chinese Communist Youth League* and therefore part of the Chinese Communist Party. CYDF employees were the only people in China who assured me that their organization was unaffiliated with the state. Everyone else I talked to, both in formal interviews and in informal conversations assumed that Project Hope was part of the party-state. Even China scholars, reporting what the informants tell them, often describe Project Hope is a 'state-run charitable foundation' (Shue, 1998, p. 337).

By allowing potential donors to assume that Project Hope was run by the Communist Party's Youth League, the nascent organization could borrow some legitimacy. People in China had no idea what a private donative-style charity was, but they knew that part of the Chinese Communist Youth League's paternalistic responsibility was to serve China's young people, including poor students. In times of national crisis or serious social problems, they were also accustomed to requests from the party-state for citizen voluntarism and support. So when the *China Youth Development Foundation* asked for citizen donations to address the problem of school dropouts, Chinese people could make sense of the situation with their existing cultural resources, rather than puzzling over a strange, new practice.

However, being mistaken for a state organization in China is not an unmixed blessing. The Chinese party-state has been mired in one corruption scandal after another for the previous two decades, with the result that ordinary people cynically associate state officials with bribery, embezzlement and fraud (Hsu, 2001). When my acquaintances and

interviewees expressed their suspicions about Project Hope, it was because they believed that it was a state organization, not in spite of that belief. They assumed that Project Hope was connected to various powerful state officials, ones who had already been accused of corruption, or who were generally suspected to indulge in corrupt behaviour. For example, in May 2005, two Project Hope employees accompanied me on a trip to the outskirts of Beijing to interview sponsored students, using my parents' car and driver. On the way back, the driver asked the Project Hope employees many questions, clearly designed to expose the organization's true, corrupt nature: *How much do you get paid? What about bonuses and extras? When you travel, who pays for plane tickets? What kinds of hotels do you stay in?* Many of his questions focused on rumoured connections between the organization and powerful government officials: *Don't you have a relationship with so and so? How about so and so?* The employees did not seem surprised at his queries, and answered his questions with a resigned weariness: *We usually take trains, not planes. We stay in cheap hotels or with people. No, we don't get money from the state; it's all paid for out of the donations. No, we don't have a relationship with any of those people.*

*Avoiding the taint of corruption in a culture of guanxi.* I should point out that in my three years of studying Project Hope and the China Youth Development Foundation, I found no evidence of the kind of corruption people suspected. Yet in avoiding accusations of corruption in China was an uphill battle for an organization like Project Hope/CYDF. The rules of social capital in contemporary China demand that individuals and organizations foster useful relationships through the exchange of gifts and favours. Although in the abstract the Chinese make a clear distinction between a gift and a bribe (Smart, 1993, p. 389), in practice it is often difficult for outside observers to determine which is which. Simply by participating in the normal practices of gift exchange, Project Hope/CYDF would be vulnerable to accusations of corruption.

In response, CYDF scrupulously avoided any signs of ostentation. My previous research involved participant-observation at over twenty state and private workplaces (Hsu, 2007), and in my work on Project Hope, I visited many schools and several other charitable organizations. In my observation, most Chinese organizations decorate with an eye towards style over substance: fake marble if one cannot afford the real thing, cavernous reception areas, etc. They also try to signal 'modernity' through the use of shiny surfaces, gestures towards technology and imitations of 'Western' architecture and decor. CYDF headquarters was the first and only workplace I encountered in China which chose the opposite strategy. In a city full of sky-scrapers, the offices were located in old-fashioned single-storey courtyard buildings well hidden within some of Beijing's remaining *hutong*—the maze-like alleys which are usually bulldozed for more 'modern' development. The offices were small and cramped, not fancy at all. Although *hutong* style has recently come back into vogue among the *nouveau riche*, most Beijingers would probably associate the architectural style and building materials at CYDF with poverty and backwardness. Upon closer inspection, I could see that the organization was willing to spend money for functional purposes: the facilities were maintained very well, the computers were relatively up-to-date, there was a large-screen TV to show videos to potential donors and partners, and the restrooms were First World in both facilities and cleanliness. Clearly, the organization was not as poor as it might appear to be, but it deliberately chose to project a image of austerity and thrift.

China Youth Development Foundation is a rather small organization employing several dozen people. The salaries there were decent, but not high, and the college graduates who worked there could have easily found better-paying jobs elsewhere. The people who worked there dressed well but conservatively, as though they were avoiding the fashion-conscious glamour associated with the *nouveau riche* entrepreneurs and corrupt officials.

In addition to avoiding an image of ostentation, CYDF employees eschewed normal Chinese gift-exchange practices. It was the only workplace where I was never offered a gift or (more surprising) a meal, practices which would be consonant with the Chinese rules of social capital (Bian, 2001). After a while, I realized that if I wanted to eat around Project Hope people, I would have to find myself a restaurant and pick up the tab myself. These practices, which were quite jarring in the Chinese setting, indicated to me that the culture of CYDF/Project Hope was deliberately oppositional to the mainstream mores of social capital.

### *Strategy Number 2: Building Guanxi Relationships between Donors and Recipients*

The strategy of disguising a charity as a state organization helped CYDF to early success, but it also had its liabilities because of state corruption. Although the people involved in Project Hope/CYDF were ready to signal their legitimacy and respectability to anyone who walked into their offices, most of the people they needed to convince would never have that opportunity. How could they convince citizens all over China to trust CYDF sufficiently to donate money to Project Hope? The answer, ironically enough, was to create a situation where the donor/recipient could reconstitute a *guanxi*-style reciprocal relationship. In other words, although Project Hope/CYDF resisted the mainstream practices of social capital exchange in its workplace culture, it took advantage of those practices to teach Chinese citizens how to become charitable donors.

When Xu Yongguang initially founded Project Hope, his plan was to build up an endowment. But he quickly realized that no one would give money unless they had some kind of assurance it was going to the needy children rather than lining someone's pocket. His first innovation was to ask students write thank you cards to contributors. Under this system, Project Hope was relatively successful; it grew from serving 10,000 students in 1990 to 30,000 in 1991. However, at this point the money was still gathered into a large fund, so there was no proof that a donor's particular donation went to the child who thanked him or her.

Xu explains, 'Donors were writing in, asking to be able to choose the child they supported. They wanted a relationship, to help the students in other ways.' In other words, instead of the distant giving relationship which characterizes the contemporary Western charity model, these donors sought a more Confucian-style reciprocal relationship with their donees, where material exchange animated an emotional connection. Xu Yongguang came up with the idea to allow donors to 'adopt' a child through a sponsorship programme. Although such models are common in for Western charities, Xu said that he had never heard of them. Given that Xu, at that point, had never left China and had almost no experience or contact with Western charities, his claim is plausible. (This was prior to the rise of the Internet, after all.) As a result, CYDF faced formidable organizational challenges as they developed the programme from scratch. Xu recalls, 'We had to computerize; we needed special software. It took a whole year.' The response was overwhelming. Once

people were told that they would be able to sponsor a particular child, letters poured in: in 1992, 320,000 children were sponsored. By 1994, after a big campaign, the number rose to one million.

To participate in Project Hope, donors commit to sponsoring a child through six years of primary school (at a cost of about \$20/year, in 2003), three years of middle school (about \$80/year) or high school (about \$125/year) or college (also \$125). Large donations (which usually come from organizations, not individuals) can lead to the building of a whole school (\$25,000) or a computer lab (\$19,000). The donor becomes the child's 'auntie' or 'uncle,' or the school's 'father' or 'grandmother.' As we would expect from the norms of *guanxi*, donors often have very active relationships with their sponsored child. When I interviewed sponsored students, I asked if their sponsors ever wrote to them. It was clear from their answers that my standards for relationships were much too low: The sponsors constantly telephoned the children and sent them gifts. They drove for hours to meet the students and their parents in their homes. The students frequently traveled to Beijing to stay with their sponsoring families for a weekend, going on special field trips to see sites in the city.

Clearly, the students had not just been sponsored, financially, but they had been adopted into the sponsors' *guanxi* networks as pseudo-kin. As a result, these underprivileged students were receiving much more than their school fees; they were gaining cultural capital and relational networks. The problem of trust was also solved; donors could see with their own eyes exactly how their money was being spent. Yet the insistence on *guanxi*-style relationships was also a liability for Project Hope. Because donors wanted to have this kind of relationship with the recipients of their donations, they had a strong preference for sponsoring students who were geographically nearby. After all, it would be much more difficult to build such a relationship with a child who lived in northern Inner Mongolia or western Xinjiang, thousands of kilometers away.

This created a dilemma for CYDF. It was easy to find sponsors for students and schools near major metropolitan areas, but these were the least needy cases. For example, a school I visited several hours outside Beijing was not in a poor rural area. Indeed, the 'town' where the school was located was the size of a major city in the US (500,000 people), and it was experiencing an economic boom as a result of tourists from Beijing. Even in the past, the school had never had a dropout problem. Yet it was the recipient of multiple gifts through Project Hope—Qingdao University had built its new building and Microsoft had donated its computer lab. Every child who remotely qualified for Project Hope funds was sponsored by a generous donor. Clearly, a lot of organizations and individuals in Beijing wanted to help with the problem of educational inequality, but they also wanted the recipients of their help to be close enough to meet, so that they could bring clients and employees out to witness their good works, and so that all the participants could be tied together through the norms of reciprocity.

Unfortunately, the poorest and most needy communities in China are those which are far from the urbanized and economically developed eastern and southern coast. They are communities without paved roads for donors to drive up, where the schools have no power, no heat and dirt floors. One Project Hope employee praised multinational companies such as Motorola for being willing to sponsor schools where the need was the greatest, unlike Chinese donors who only wanted to help schools nearby: 'Either a place where they have personal connections or a where they can make one. Someplace they can bring people to see what they're doing.'

## Final Thoughts

Charities in China faced an uphill battle for survival in the 1990s. They were by definition new organizations trying to pioneer a new organizational field in a society which finds their central practices completely foreign. Yet the success of Project Hope/CYDF and the boom in China's non-profit sector reveals the creativity of institutional entrepreneurs like Xu Yongguang, who worked both with and against the rules of social capital in Chinese society to build China's first post-socialist charities.

Officially, the leadership of Project Hope is trying to solve the problems of trust by imitating the formal institutions of the West. The organization now has a Board of Directors. Xu Yongguang, the founder of Project Hope, has moved on to head China Charity Federation, the umbrella organization for charitable and philanthropic organizations in China. He plans to set up independent, third party organization to assess the effectiveness and transparency of charitable organizations. Unfortunately, these types of institutions are even more unfamiliar to Chinese citizens than the charities themselves. It is unlikely that these organizational changes will do much to solve the problems of trust. Instead, Chinese charities will mostly likely have to continue relying on ad hoc solutions shaped through a dynamic give-and-take between charity employees and potential donors, solutions which work with the Chinese rules of social capital. It is these localized, contingent, ground-level solutions which will end up shaping the evolution of charities in China.

Yet we must not forget that even though practices and institutions are shaped by the collective cultural toolkits of a given society, that repertoire of cultural resources is always evolving in responses to new experiences and circumstances. Project Hope's success and high profile has changed the cultural repertoires of millions of Chinese people by introducing the (modified) practices of donative-style charities into their toolkits. As a result, other institutional entrepreneurs could create new organizations by imitating (and tweaking) Project Hope's model. The Chinese Women's Federation (which is affiliated with the government) started Spring Buds, a charitable foundation which allowed donors to sponsor the education of poor rural girls (Ross, 2006) as well as the China Children and Teenagers' Safe Healthy Growth Project, through which donors can help malnourished pregnant women and children. Individuals started private foundations, such as the Loving Heart Project founded by Wu Keliang, which also used the sponsorship model to help 'women, children, the elderly, and disabled persons'. The founders of Project Hope may have been constrained by local cultural repertoires, but through their creative negotiation with the available cultural resources, they also managed to transform China's institutional landscape.

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## Notes

1. (2002) A brief account of "Project Hope" ("Xiwang Gongcheng" Gaikuang) Chinese Ministry of Education).
2. (1998) The emergence of charity, *China New Analysis*, 1617, pp. 1–10.

3. In 2003, the per capita gross national income was \$1270 in the PRC. (2007) GNI per capita, Atlas Method (current UC dollars) in: W. Online (Ed.) World Bank Group.
4. Although Project Hope is CYDF's signature programme, it has other project, including ones in AIDs education and the environment.

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