

## Funding Models of Chinese Think Tanks: Lessons from Internationally Renowned Think Tanks (Postprint)

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**Date:** 2017-11-05T00:00:00+00:00

### Abstract

[Purpose/Significance] The financing model of think tanks is a critical determinant of their sustainable development. [Method/Process] This paper analyzes the financing models of six internationally renowned think tanks, summarizes their funding channels, proportions, prerequisites, and scope of application, and proposes countermeasures and suggestions for constructing a financing mechanism for new-type think tanks with Chinese characteristics based on the experience of foreign think tanks. [Results/Conclusion] The study identifies five primary financing models: government funding, social donations, market-oriented operation revenue, PPP (Public-Private Partnership) model, and commissioned research project funds. The paper also discusses the diversified, multi-channel, and multi-level financing system, the financing operation model for Chinese think tanks based on PPP and commissioned projects, maintaining think tank independence, improving legal and tax policies for think tank donations, and financing risk management, to support the construction of new-type think tanks with Chinese characteristics.

### Full Text

### Preamble

#### Research on Chinese Think Tanks' Financing Models: Insights from International Renowned Think Tanks

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### Abstract:

[Purpose/significance] The financing model of think tanks is a decisive factor for their sustainable development. [Method/process] This paper analyzes the

financing models of six internationally renowned think tanks, summarizing their funding channels, proportional distributions, prerequisite conditions, and applicable scopes. Building on lessons from foreign think tanks, it proposes countermeasures and recommendations for constructing a financing mechanism for new think tanks with Chinese characteristics. [Result/conclusion] The study identifies five primary financing models: government funding, social donations, market operation income, Public-Private Partnership (PPP) models, and commissioned research project funding. The paper also explores a diversified, multi-channel, and multi-level financing system, a Chinese think tank financing operation model based on PPP and commissioned projects, maintaining think tank independence, improving legal policies on think tank donations and taxation, and financing risk management, thereby supporting the development of new think tanks with Chinese characteristics.

**Keywords:** foreign think tank experience; new think tanks with Chinese characteristics; financing model; PPP model

As think tanks increasingly play vital roles in national socioeconomic development and international affairs, their development level has become an important manifestation of a country or region's soft power and discourse power. Think tanks, also known as brain trusts or idea banks, refer to public research institutions composed of experts from various fields who provide decision-makers with optimal theories, strategies, methods, and ideas. Internationally, think tanks are typically defined as independent, non-profit research institutions that focus on public policy research, aim to influence government decision-making, orient toward public interests, and adhere to social responsibility as their research criterion. Given China's focus on building new think tanks with distinctive characteristics as important support for scientific, democratic, and law-based decision-making by the Party and government, Chinese think tanks encompass not only the aforementioned functions but also include various types of policy research institutions such as Party, government, and military think tanks; Chinese Academy of Social Sciences; university-affiliated think tanks; and private think tanks.

The urgent need for intellectual support in social development has spawned a "think tank fever." In recent years, a batch of think tanks oriented toward modernized construction and serving national development strategies has been rapidly established, making China the country with the second-largest number of think tanks globally. As of December 2014, the top six countries with the most think tanks were: the United States (1,830), China (512), the United Kingdom (287), Germany (194), India (192), and France (177). Notably, the number of U.S. think tanks alone exceeded the combined total of the subsequent five countries, representing an overwhelming quantitative advantage [Figure 1: see original paper].

As non-profit organizations, think tanks' financing capacity constitutes a crucial factor for sustainable development. Particularly, mechanisms for fund-raising, information sharing, and equal competition, along with long-term and stable

multi-channel funding sources, form the fundamental guarantee for think tanks' survival and development. The surge in Chinese think tanks has intensified the difficulty of financing models and operational management. China has yet to form a truly scientific management mechanism for think tanks, necessitating the improvement of financing mechanisms to attract substantial external funds and promote think tank development. In January 2015, the General Office of the CPC Central Committee and the State Council issued the "Opinions on Strengthening the Construction of New Think Tanks with Chinese Characteristics," explicitly stating: "Increase financial investment and guarantee efforts. Governments at all levels should research, formulate, and implement fiscal and financial policies supporting think tank development, explore the establishment of a diversified, multi-channel, and multi-level investment system, and improve an investment mechanism that coordinates competitive funding with stable support. Different support methods should be researched and formulated according to the nature and characteristics of different types of think tanks. Implement the public welfare donation system, and encourage enterprises, social organizations, and individuals to donate to and support think tank construction."

Currently, numerous studies focus on financing models for profit-oriented enterprises, while research on financing models for non-profit organizations mostly concentrates on local governments, industrial parks, municipal infrastructure, affordable housing, urban rail transit, and hospitals. Research on think tank financing models remains scarce [4]. Therefore, this paper takes think tank financing models as its research object, exploring the establishment of a diversified, multi-channel, and multi-level investment system by analyzing the diversified financing models of internationally renowned think tanks, and proposes a think tank financing model based on Public-Private Partnership (PPP) and commissioned projects to support the construction of new think tanks with Chinese characteristics.

## 1. Think Tank Financing Models

Most think tanks are non-profit organizations, and financing is fundamental to their survival and development. In recent years, with the rapid development of think tanks and the opening of capital markets, the financing environment has gradually relaxed, and financing methods have become more diversified. The main financing models for think tanks include the following five types: government funding, social donations, market operation income, PPP models, and commissioned research project funding.

### 1.1 Government Funding

Generally, government support for think tanks takes two forms: first, direct allocation of tax revenue to think tanks; second, tax exemption for think tank income and tax reduction or exemption for enterprises and individuals who donate to think tanks. As non-profit organizations, government appropriation constitutes the main source of income, accounting for approximately one-third

of total revenue. For example, U.S. public sector funding accounts for 40% of total non-profit organization income, while funding from various levels of Chinese government departments accounts for 30% of non-profit organization income [5]. However, due to think tanks' characteristics of independence and intellectualism, successful think tanks emphasize the impartiality and influence of their research results. Consequently, government appropriation is not the primary economic source for think tanks in the United States and Europe. Indirect support through tax reduction or exemption can further promote and encourage think tank development while stimulating potential funders' financial support [6].

### 1.2 Social Donations

A unique funding source for non-profit organizations is social donations, primarily from individuals, foundations, and corporations, which distinguishes them from public sector and for-profit organizations [6]. Wealthy individuals in developed countries, especially in the United States, demonstrate high enthusiasm for donations due to three main reasons: first, donations enhance donors' social status as a form of social feedback from the wealthy; second, mainstream values advocate personal endeavor over inherited wealth; third, tax laws stipulate that if corporate or individual donations exceed a certain proportion of payable taxes, they can be reduced or fully deducted from tax payable [5]. Consequently, social donations constitute a substantial portion of income for internationally renowned think tanks. In contrast, donations from Chinese citizens and organizations to think tanks are minimal, with donation targets primarily being charitable institutions such as Hope Primary Schools and the Red Cross. Additionally, the concept of think tank organizations is not yet widespread, and legal policies supporting think tank donations are inadequate, resulting in limited donation income for Chinese think tanks.

### 1.3 Market Operation Income

Although profit-making is not the primary goal of think tanks, their operation model is similar to enterprises. Market operation income includes membership fees from enterprises or individuals, publication income, conference fees, venue rental income, and investment income. By paying membership fees, enterprises or individuals can download certain research briefs or papers for free from think tank websites and receive notifications about latest conferences and activities. Only by enhancing think tanks' influence can membership fees, publication income, and conference fees account for a larger proportion of total revenue. Established think tanks such as the Carnegie Endowment for International Peace and the Brookings Institution maintain a substantial "financial reservoir," with investment income surplus primarily used for think tank development funds.

#### 1.4 PPP Model

The PPP model involves cooperation between the public sector and private sector to provide public products or services, with both parties sharing responsibilities and financing risks to achieve mutual benefits. As project cooperation scope expands, public sector partners are no longer limited to private sectors; non-governmental entities such as enterprises, hospitals, and think tanks also cooperate with the public sector. The PPP model for think tanks primarily operates through government consultation contracts, where the government provides research funding or transfers research result charging rights, and think tanks gain reputation capital by providing consulting services. The government selects think tanks through open competitive bidding for projects, and the research funds obtained by winning think tanks can generally only be used for the specific research project. The RAND Corporation is a typical successful representative utilizing the PPP model.

#### 1.5 Commissioned Research Project Funding

Commissioned research project funding is similar to the PPP model, with the only difference being the commissioning entity. If the entity is a public sector, it belongs to the PPP model; if the entity is a non-governmental organization such as a foundation, enterprise, or individual, it belongs to commissioned research project funding. Therefore, funding from commissioned research projects differs from government appropriation, with relatively less freedom in fund usage and more restrictions, whereas government appropriation can be freely allocated to any research field.

## 2. Financing Dilemmas and Problem Analysis of Chinese Think Tanks

Think tanks belong to knowledge-, intelligence-, and capital-intensive industries, requiring substantial capital investment for construction and development. Official think tanks, semi-official think tanks, and private think tanks each face different financing issues, but financing dilemmas and problems mainly concentrate in the following aspects.

### 2.1 Financing Dilemmas of Chinese Think Tanks

The vast majority of Chinese think tanks rely on government subsidies; however, government funding is ultimately limited. As social entities that compensate for government failure, think tanks' social functions should be separate from the government. Only in this way can the relationship between government and think tanks be better coordinated to better serve society.

**2.1.1 Single Funding Channel and Low Self-Generated Income** Chinese think tanks' results promotion methods mostly involve submitting briefs

of undertaken projects or research findings to senior leaders for reference, using leaders' approvals as evaluation metrics. Internal publications for leadership reference, such as the Central Party School's "Internal Reference on Ideological Theory," or collective study sessions such as special research classes for provincial and ministerial officials, are common, while promotion methods targeting public media are scarce. This results in low self-generated income and limited influence for think tanks. To address this dilemma, think tanks need to shift toward a market-oriented model, gradually achieving a virtuous cycle of self-operation, self-discipline, and self-development.

**2.1.2 Low Proportion of Donation Income** Donations from enterprises, individuals, and foundations represent the most ideal funding source for think tanks due to their dispersed nature and minimal attached conditions, which better ensures think tanks' independence in fulfilling their missions and achieving their goals. However, the current reality shows that donation income accounts for a low proportion of total funds for Chinese think tanks.

**2.1.3 Relatively Lagging Laws and Regulations** China lacks specialized laws and regulations concerning think tank construction, management, and financing. Regarding the legal system for non-profit organizations, aside from the "Public Welfare Donation Law" formulated by the Standing Committee of the National People's Congress, most regulations appear as administrative regulations, rules, and other normative documents centered on "three regulations and one measure." There is also a lack of proper norms regarding property ownership, financial supervision, institutional governance, tax guarantees, volunteer services, and foreign-related activities of non-profit organizations.

## 2.2 Problem Analysis of Chinese Think Tank Development

Issues concerning think tanks' independence, impartiality, and related financing mechanisms have become key constraints on the development of high-end Chinese think tanks.

**2.2.1 Low Public Recognition of Think Tanks** The social credibility of non-profit organizations is an important factor affecting financing effectiveness. Non-profit organizations with high public recognition can achieve financing goals more smoothly. Currently, Chinese think tanks suffer from low social credibility. On one hand, since members come from or are affiliated with government departments, they exhibit strong bureaucratic tendencies, poor autonomy, and low work efficiency, leading to low public trust in their service capabilities. On the other hand, the lack of an information disclosure mechanism prevents the public and enterprises from supervising donation usage, reducing public trust in think tanks' fund management and utilization. Indeed, some non-profit organizations' misuse of funds has caused adverse social impacts, resulting in low credibility that affects enterprises' and the public's enthusiasm for donating to non-profit organizations.

**2.2.2 Weak Civic Charity Consciousness** China's charitable donations come only 15% from the wealthy class, and 99% of enterprises have never participated in any donation activities. If China's wealthy show little interest in charitable donations, Chinese enterprises are even more "stingy." According to statistics from the Population, Resources and Environment Committee of the Chinese People's Political Consultative Conference, currently over 10 million enterprises are registered for industrial and commercial purposes in China, but fewer than 100,000 have donation records, accounting for only 1%. This means 99% of enterprises have never participated in donations, with private enterprises' donations accounting for less than 1% of their wealth. This demonstrates that Chinese citizens' lack of charitable consciousness constitutes a major difficulty in fund-raising.

**2.2.3 Insufficient Government Legal Support for Think Tanks** According to international practice, to encourage think tank development, the common approach is to levy no or minimal income tax. However, China's current tax system provides insufficient preferential treatment for think tanks with overly strict controls. Although China has relevant tax reduction regulations, their encouragement effect on think tank financing is limited. For example, corporate income tax regulations allow tax deductions before payment for qualified donations within the annual taxable amount, but donations exceeding the prescribed proportion cannot enjoy this benefit. Some individual donations even fail to obtain proper documentation, making them ineligible for personal income tax reduction or exemption, which seriously affects enterprises' and individuals' donation enthusiasm. On November 11, 2009, the Ministry of Finance and the State Administration of Taxation issued the "Notice on Enterprise Income Tax Exemption for Non-Profit Organizations" and the "Notice on Issues Concerning the Recognition and Management of Tax-Exempt Qualifications for Non-Profit Organizations." According to these notices, the tax-exempt scope for non-profit organizations would be reduced, with profit-oriented income from foundation asset preservation and appreciation subject to approximately 25% enterprise income tax. Additionally, non-public fundraising foundations must first pay enterprise income tax before achieving 8% public welfare expenditure, forcing them to use original funds and causing asset shrinkage that limits non-public foundation development. The notices immediately raised questions from major non-profit organizations, as the stricter tax environment seriously hindered non-profit organization development, including think tanks.

**2.2.4 Insufficient Information Transparency of Think Tanks** Funders (whether donors or project commissioners) are willing to provide funds only when they understand and trust think tanks' research projects, research results, influence, and financial conditions. However, current information asymmetry hinders think tanks from obtaining various funds beyond government sources. Information disclosure includes, on one hand, financial information such as annual income and expenditure, financial statements, and sponsor lists, enabling

funders to judge think tanks' objectivity. On the other hand, it includes research results promotion such as research reports, journals, works, patents, and conferences and activities. Only by enhancing think tanks' visibility and influence in public media can more funders be attracted. To align with global think tank search platforms, the development of the "China Think Tank Index" system is nearing completion, aiming to comprehensively build four major data warehouses: "basic think tank information," "think tank products," "think tank experts," and "think tank influence." This initiative is believed to enhance Chinese think tanks' information transparency.

### 3. Analysis of Financing Models of Renowned Think Tanks at Home and Abroad

From the perspective of global think tank distribution and rankings, North American and European think tanks exert the greatest influence. According to the "2014 Global Go To Think Tank Index Report" released by the University of Pennsylvania in 2015, as of December 2014, there were 6,618 think tanks worldwide, with economically developed North America (1,989, 30.05%) and Europe (1,822, 27.53%) accounting for more than half of all think tanks. Asia (1,106, 16.71%) and Central and South America (674, 10.18%) follow closely but show significant quantitative gaps compared to Europe and North America. The Middle East and North Africa (521, 7.87%), Sub-Saharan Africa (467, 7.06%), and Oceania (39, 0.59%) have relatively fewer think tanks (see [Figure 2: see original paper]). This paper selects six renowned think tanks from four countries in North America, Europe, and Asia for specific analysis of their financing models.

#### 3.1 U.S. Think Tanks

Operating in the form of endowments is the common practice for international think tanks. For instance, U.S. think tank funds generally adopt fund management models operated by professional financial and accounting personnel.

**3.1.1 Brookings Institution** The Brookings Institution is the first modern think tank in American history and one of the mainstream think tanks in Washington' s academic community, a non-profit organization researching public policy. In the "2014 Global Go To Think Tank Index Report," the Brookings Institution ranked first among global think tanks and also ranked first in domestic economic policy, foreign policy and international affairs, and international development. The institution has an annual budget of \$40 million, derived not only from the special fund established by its founder Robert Brookings but also from donations by foundations, large corporations, and individuals, government funding, publication income, and other investments. In fiscal year 2014, the Brookings Institution had total operating revenue of \$107,562,000, with 58% from various grants, 37% from donations, and 5% from publications and other miscellaneous items. Among the 58% from grants, foundation grants accounted for 28%, foreign government grants 9%, corporate grants 7%, individual grants

6%, other funding from universities and multilateral organizations 6%, and U.S. government funding only 2% [13] (see [Figure 3: see original paper]).

This demonstrates that the Brookings Institution's ability to become the world's top think tank, aside from being influenced by its political, economic, and cultural environment, mainly depends on its diversified financing structure, enabling it to conduct high-quality independent research and propose innovative and practical policy recommendations, thus earning its reputation as the most influential, most referential, and most trusted think tank.

**3.1.2 Carnegie Endowment for International Peace** The Carnegie Endowment for International Peace is one of the earliest and most influential foundations in the United States, ranking third among global think tanks and second among U.S. think tanks in the "2014 Global Go To Think Tank Index Report," just after the Brookings Institution [3]. The Endowment primarily researches international affairs and U.S. foreign policy, particularly focusing on immigration, nuclear non-proliferation, regional conflicts, pluralism, democracy building, and use of force. In 2013, 45% of its funds came from grants, foundation grants accounted for 30%, government appropriations 13%, rental income 6%, individual commissions 4%, and corporate commissions 2% [14] (see [Figure 4: see original paper]).

The Carnegie Endowment's funding sources reveal several characteristics: first, U.S. enterprises and individuals demonstrate high enthusiasm for social donations, with nearly half of funding income derived from grants; second, U.S. think tanks maintain relatively independent relationships with government, with government appropriations accounting for only 13% of total income; third, U.S. think tanks obtain 36% of their funding through commissioned research projects, representing an important funding source.

**3.1.3 RAND Corporation** The RAND Corporation is a non-profit, non-partisan, semi-official think tank ranking seventh among global think tanks in the "2014 Global Go To Think Tank Index Report" [3]. It is renowned for researching advanced military science and technology and major military strategies, gradually developing into a comprehensive large-scale think tank researching politics, military, economy, technology, and society. Although it operates independently, it maintains close connections with government departments. In 2014, RAND's total income was \$269.7 million, with 72.5% from commissioned research contracts with the U.S. government (including the National Security Agency 24.1%, Department of Health and Human Services 16.3%, federal, state, and local governments 4.4%, etc.) and the military (Army 12.9%, Air Force 14.8%). It also accepts commissions from private enterprises (4.2%), foundations (4.5%), other non-profit organizations (5.2%), universities (3.1%), international non-governmental organizations (6.6%), charitable grants (3.2%), and other sources (0.7%) [15] (see [Figure 5: see original paper]).

These figures show that RAND Corporation is a typical successful representative

of the PPP financing model for think tanks, with 72.5% of its funds derived from the PPP model. This demonstrates that the PPP financing model can be applied not only to infrastructure construction but also to non-profit organizations and can achieve success.

### 3.2 UK Think Tank: Chatham House

Chatham House, established in London in 1920, is a registered non-governmental, non-profit independent think tank and one of the largest and most renowned international affairs research centers in the UK. In the “2014 Global Go To Think Tank Index Report,” it was rated as the best non-U.S. think tank and ranked second among global think tanks [3]. To maintain independence and objectivity, Chatham House receives no government subsidies. In 2014, its total income was £14,507,000 (approximately \$22,363,991), primarily derived from commissioned projects (59%, including private foundation commissioned projects 20%, foreign governments and international organizations commissioned projects 14%, UK government 13%, and enterprises 11% research funding, other commissions 1%). Over 138 organizations from around the world support the institute’s research activities through sponsorship. Enterprise (11%) and individual (5%) membership fees, including 350 corporate members and 3,000 individual members, enable the institute to freely select research topics and maintain its independence. Events and conference fees accounted for 11%, charitable donations 6%, publications 4% (mainly royalties from *International Affairs* and subscriptions to *The World Today*), investment income 3%, and other rentals 1% [16] (see [Figure 6: see original paper]).

Chatham House’s complete absence of government funding both proves its independence and objectivity and demonstrates its substantial influence and strength, enabling it to raise considerable operating funds without government support. Moreover, the institute’s funding channels are diverse, with the primary financing models being PPP and commissioned project funding.

### 3.3 German Think Tank: Institute for International and Security Affairs (SWP)

For over 50 years, the German Institute for International and Security Affairs (SWP) has been dedicated to providing analysis of foreign policy issues for the German Bundestag and federal government, as well as for economic actors and the public. It ranked 14th among global think tanks in the “2014 Global Go To Think Tank Index Report” [3] and received the highest five-star rating in the “How Transparent are Think Tanks about Who Funds Them 2015?” report released by the Transparify project [17].

Under the federal chancellor’s budget approval, the German Bundestag appropriates funds based on SWP’s annual budget report. From fiscal years 2010 to 2014, the appropriations were €12.4 million, €11.4 million, €11.2 million, €11.7

million, and €11.7 million respectively, representing relatively stable funding. Government appropriations cover 100% of core activities, while the institute must manage its finances according to public sector regulations. In addition to government funding, the institute can obtain external funding from special research projects from public sector or other external organizations, which should not exceed 25% of government appropriations. Projects obtaining external funding should primarily consider researchers' or the institute's interest in further developing existing research and consulting activities, with decision criteria being scientific rigor, independence, and relevance. From fiscal years 2010 to 2014, external funding received was €1.36 million, €1.28 million, €1.97 million, €2.12 million, and €2.21 million respectively. Therefore, in fiscal year 2014, total funding income was €13,910,000 (approximately \$15,815,670), with 84% from the German federal government and 16% from research projects of the German Research Foundation, other foundations, the EU, and enterprises (see [Figure 7: see original paper]).

Although this think tank's financing model primarily relies on two channels—government and research projects—its information disclosure, particularly regarding budget, income, and expenditure, is highly transparent [18]. Anyone can download and view the institute's financial statements and research funding allocated to each project through its official website, earning it public recognition and high credibility. Moreover, the German government has no power over fund usage or interference in research direction and outcomes.

### 3.4 Chinese Academy of Social Sciences

The Chinese Academy of Social Sciences (CASS) is one of the few large-scale think tanks in China. It ranked 27th among global think tanks and 11th among Asian think tanks in the “2014 Global Go To Think Tank Index Report” [3]. In 2013, the total income budget was ¥2,472,371,300, with central government appropriations accounting for 67.65%, operational income (teaching and research activity income, publication income, conference income, etc.) 5.88%, other income (including donation and rental income) 14.06%, funds from using business foundations to cover income-expenditure gaps (referring to using accumulated business foundations from previous years to cover current year income-expenditure gaps) 1.39%, and previous year's fiscal appropriation carryover funds 11.02%. Government appropriation-related income accounted for 80.06% of total funds (see [Figure 8: see original paper]).

### 3.5 Summary

**3.5.1 Summary of Five Financing Model Proportions** To intuitively understand the proportion of financing models of think tanks at home and abroad, three additional renowned think tanks' financing models were compiled besides the six detailed above (see Table 1) [21-23].

#### Table 1 A Summary of Typical Think Tanks' Financing Modes and

## Proportions

*Note: Global rankings are from the “2014 Global Go To Think Tank Index Report,” and financing model proportion data are from each think tank’s official website.*

Given varying degrees of information transparency among think tanks in different countries, some think tanks’ funding sources do not clearly distinguish between government and non-government entities in commissioned project funding. Therefore, PPP model and commissioned research project funding proportions are combined.

Table 1 shows that internationally renowned think tanks have diverse financing models with low dependence on government. U.S. think tanks mainly derive funding from PPP, commissioned research, and donations; UK think tanks primarily earn income from PPP, commissioned research, and publication fees; Belgian think tanks mainly rely on government appropriation and social donations; German think tanks primarily receive government funding, but regulations stipulate that the government cannot interfere with research topic selection or modify research outcomes, while German think tanks maintain good information transparency. In contrast, Chinese think tanks receive substantial government financial support, raising questions about the objectivity of their research results. Moreover, Chinese think tanks have no funding from PPP and commissioned research, with small proportions from social donations and market income. Therefore, it is necessary to reference foreign practices and develop financing models suitable for new think tanks with Chinese characteristics.

**3.5.2 Prerequisite Conditions and Applicable Scopes of Five Financing Models** The five think tank financing models mentioned above each have distinct characteristics regarding prerequisite conditions and applicable scopes. However, different models are not mutually exclusive; generally, the more diverse a think tank’s financing models, the greater its influence and the more complete its financing mechanism.

Government funding accounts for a large proportion in official and semi-official think tanks that play roles as government decision-making support and backing. The nature of these think tanks determines their primary financing model and complementary relationship with government. The advantage of government funding is unrestricted fund usage, while the disadvantage is that think tanks may be perceived as lacking independence, and think tanks relying solely on government funding cannot achieve long-term development.

The prerequisite for think tanks accepting social donations is that sponsors cannot determine research content, alter research results, or require think tanks to convey specific ideas. This funding source is dispersed and unrestricted, thus not affecting research objectivity, making it applicable to all types of think tanks.

The prerequisite for market operation income is that think tanks possess certain authority, and enterprises, individuals, or organizations recognize their research results and consulting services, thereby supporting think tank development through membership fees or publication subscriptions. This requires think tanks to have results expression strategies and information dissemination channels, utilizing journals, book series, media, and networks to promote their research findings. To enhance international discourse power, think tanks should also emphasize measuring the effectiveness of results expression strategies by counting media interviews, citations of publications, and policy responses triggered by think tank products. Therefore, the market operation income model applies to influential think tanks ranking high in global think tank rankings. Whether official, semi-official, or private, market operation income can serve as development research funds for think tanks.

The prerequisite for adopting PPP and commissioned research project models is that the client's research or consulting services align with the think tank's main research fields or expertise, and the think tank's staffing and management systems satisfy requirements to complete bidding and initiate cooperation. The applicable scope of these two financing models considers value-for-money for all parties—government, commissioning entities, think tanks, and the public—where project outcomes enable each party to achieve pursued value-added benefits, realizing a “win-win” situation. Further research is needed on effective and practical value-for-money evaluation methods and quantitative design standards. Currently, renowned U.S. think tanks widely adopt these two financing models, which, unlike market operation income models, do not require substantial think tank influence. Even small think tanks can secure relevant cooperative research projects as long as they have expertise in specific fields, making these models feasible and worthy of promotion for Chinese think tanks.

## 4. Implications for Chinese Think Tank Construction

Establishing think tank financing mechanisms, incentivizing investment in think tank research funds, creating a Chinese-style think tank “financial reservoir,” leveraging market's decisive role, improving competitive mechanisms for think tank research, and forming an open think tank culture are unavoidable steps in advancing the construction of high-end Chinese think tanks.

### 4.1 Expand Funding Channels to Form a “Financial Reservoir”

Chinese think tanks should enhance research practicality and relevance, actively cooperate with various social sectors to conduct research projects oriented toward market and enterprise needs, and raise funds from multiple sources. Moreover, research fields should not be limited to domestic issues; they should adapt to globalization and internationalization trends, expanding from traditional domestic politics, economy, culture, and military to more profound issues such as international relations, international finance, and environmental protection. Increased exchange, learning, and cooperation with foreign think tank scholars

can strengthen research capabilities while attracting overseas funding. The government should guide and encourage social investment in think tanks, introduce preferential policies encouraging social investment in public welfare research institutions, and explore fiscal and tax incentives to attract social funds to support think tanks. Simultaneously, a public capital accumulation mechanism should be established to form a “financial reservoir,” enhancing self-owned funds to minimize external dependency and even enabling flexible financial operations for value preservation and appreciation to ensure think tank development.

#### **4.2 Maintain Relative Independence from Government**

Most Chinese think tanks are of an official nature, affiliated with the government, primarily functioning as government policy advocates and interpreters rather than public policy decision-makers. This creates the awkward situation of many Chinese think tanks with little original thought and lacking international discourse power and influence. Maintaining relative independence means that although funds originate from the government, the government cannot interfere with fund usage projects or research result orientation, granting think tanks more freedom of choice and the right to propose unique insights rather than merely being government spokespersons. Meanwhile, vigorously developing private think tanks can promote diversified development of Chinese think tanks and break away from a single management system.

#### **4.3 Improve Legal and Policy Support for Think Tanks**

Although the Chinese government includes consultation and demonstration in policy formulation, public decision-making procedures such as policy inquiry and supervision are not yet fully institutionalized, resulting in governments below the prefecture level not having developed habits of consulting think tanks. Additionally, there are no formal documents regarding policy support for think tanks, such as mechanisms for enterprise consortium donations to think tanks, making it difficult for Chinese think tanks to attract social donations. In contrast, Japan has the “Small and Medium Enterprise Diagnosis Implementation Outline” and “Comprehensive Research and Development Institution Law” to provide legal support for orderly think tank development. The United States and Germany have voluntary consulting industry associations for think tank self-regulation. U.S. government tax exemption policies for think tanks accepting social donations are also worthy of reference.

### **5. Financing Models for Chinese Think Tanks**

Drawing on mature experiences from foreign think tank financing models, constructing new think tanks with Chinese characteristics and enhancing decision-making consultation capabilities and international competitiveness constitute important content for China’s think tank development. Financing models can be approached from the following three aspects.

### 5.1 Establish a Diversified, Multi-Channel, and Multi-Level Financing System

The financing model for Chinese think tanks includes both theoretical and model frameworks (see [Figure 9: see original paper]).

First, consider internal financing without transaction costs, such as retained earnings and depreciation funds; then consider external financing, such as bank loans, bond financing, and stock financing. On this basis, the order of think tank financing models should prioritize self-generated income, namely PPP models, commissioned projects, and market income; followed by external assistance financing, namely government funding and foundation donations. Flexible funds should be considered before restricted funds to ensure Chinese think tanks' independence and objectivity, creating a multi-channel model that coordinates stable support funds with competitive funds.

Enterprises' financial needs and options vary across different life cycle stages as they grow, gain experience, and reduce information opacity. To avoid information asymmetry, Chinese think tanks should be diversified in type. In addition to government-established think tanks and public institution think tanks, private think tanks should be promoted (including research institutions affiliated with large enterprises, higher education institutions, private non-enterprise legal entities, fund securities firms, and association chambers of commerce). This enables various think tanks to influence Chinese public policy from different perspectives and channels. Different types of think tanks have different positioning and professional fields: official think tanks should strive to be competent advisors to leaders; public institution think tanks should build bridges between government and society, researching social hot issues and guiding public opinion; university think tanks should leverage their advantages and emphasize database construction; private think tanks should expand channels for public political participation and diversify democratic consultation. This forms a transition from government-driven think tanks to diversified investment entities, moving toward marketization, industrialization, and internationalization.

According to Chinese think tank financing sequence theory, funding channels can increase PPP models and commissioned research project funding, raising the proportion of social donations and market income. Explore establishing a "Think Tank Development Fund" that provides 倾斜 and support for private think tanks in start-up funding and project research funding. Guide and encourage social investment in think tanks, introduce preferential policies encouraging social investment in public welfare research institutions, and explore fiscal and tax incentives to attract social funds to support think tanks. Oriented toward market and enterprise needs, think tanks should actively explore new approaches to conducting practical research projects in cooperation with various social sectors. On the basis of cooperative commissioned project research, introduce competition mechanisms to promote think tanks to innovate research methods, clarify research field positioning and specialization, and improve research quality. This

will drive the transformation of research results into policy measures and publications, forming a financing mechanism that coordinates stable support funds from government and foundations with competitive funds from PPP models, commissioned research projects, and market income.

According to think tank financial growth cycle theory, different types of think tanks have different positioning and financing entities. For example, official and semi-official think tanks' financing entities are fiscal departments, while private think tanks' financing entities are self-raised enterprise funds. Even the same think tank has different financing needs at different development stages. For instance, semi-official think tanks receive substantial government fiscal support at inception, but government subsidies gradually decrease after normal operation, requiring diversified funding channels for development. This requires establishing multi-level financing models to meet the needs of different think tanks at different development stages, enabling flexible selection of fund sources and uses, and enhancing think tanks' risk resistance and sustainable development capabilities.

## 5.2 Chinese Think Tank Financing Operation Model Based on PPP and Commissioned Projects

The advantages of Chinese think tanks adopting PPP and commissioned project financing operation models are: first, the relationship between government and think tanks is no longer subordinate but equal cooperative partnership, promoting information resource sharing and personnel mobility between government or commissioning departments and think tanks; second, Chinese think tanks' role is no longer government public policy advocates and interpreters but public policy formulators and decision-makers, promoting positive interaction between government decision-making and think tank recommendations, while making think tank research results more practical, including enterprise consulting services; third, to ensure research quality, it drives the improvement of policy and consulting service evaluation and review systems for Chinese think tanks and relevant government departments, enhancing evaluation objectivity and scientificity; fourth, it diversifies Chinese think tanks' funding channels, driving commissioned research projects from non-governmental organizations such as enterprises, foundations, and foreign organizations.

Applying PPP and commissioned project financing models to Chinese think tanks aims to broaden financing channels, promote information sharing and personnel mobility among different departments, and achieve win-win outcomes for public or commissioning departments and think tanks. Given the current single financing channel of Chinese think tanks, this paper proposes a Chinese think tank financing operation model based on PPP and commissioned projects (see [Figure 10: see original paper]).

This model comprises four modules: think tank financing environment, characteristics of participating parties, cooperation process between departments

and think tanks, and research results evaluation and review. Each module contains different factors affecting the operation of PPP and commissioned project financing models.

**Module 1—Think Tank Financing Environment** includes macro-level government policy and legal support, social media attention to think tanks, and micro-level think tank financing management capabilities and influence credibility. Analyzing the think tank financing environment can help identify and address current deficiencies to facilitate the application of PPP and commissioned project financing models in Chinese think tanks.

**Module 2—Characteristics of Participating Parties in Think Tank PPP and Commissioned Project Financing Models** includes public sectors, commissioning departments (such as foundations, enterprises, individuals, and foreign non-governmental organizations), and think tanks. Think tanks possess professional researchers and systematic research methods, enabling them to influence public policy through project outcomes, but they suffer from insufficient funds and overly theoretical research results. Public or commissioning departments have financial support and practical experience but lack the depth and breadth of professional knowledge needed for policy formulation and decision-making. Therefore, the operation of PPP and commissioned project financing models should consider the different characteristics of participating parties, leveraging their respective strengths and compensating for weaknesses.

**Module 3—Cooperation Process** begins with public bidding, bidding, public announcement, and contract signing to determine cooperative think tanks. Participating parties then evaluate project feasibility and provide financial support to think tanks. Subsequently, think tanks establish public policy consulting service project research teams and clarify obligations, such as determining team leaders, members, division of labor, timelines, and budget allocations. During the research team's investigation, government or commissioning departments and think tanks jointly supervise and share responsibilities and risks based on cooperative communication. Finally, completed project research results are submitted to government or commissioning parties after passing review. During the cooperation process, public or commissioning departments and think tanks should achieve information sharing related to projects, requiring public or commissioning departments to emphasize basic data collection, statistics, and management, while think tank researchers should focus on quantitative analysis and use innovative methods to obtain scientifically valid conclusions based on data. Additionally, public or commissioning departments and think tanks should achieve personnel exchange and mobility. For government, to enable think tank researchers to truly understand the policy decision-making process, think tank researchers can be dispatched to relevant government departments for internships to formulate practical solutions. For commissioning departments, through personnel communication, think tank research fields and directions become more practical and targeted, attracting more commissioned project research funding from non-governmental organizations.

**Module 4—Internal and External Expert Review Panels of Think Tanks** must strictly evaluate research results, submitting them to government or commissioning parties in the form of briefs, papers, or exchange meetings only when requirements are met. Moreover, think tanks are responsible not only for policy consultation formulation and decision-making but also for auxiliary promotion, public opinion guidance, and public opinion understanding to enhance think tanks' visibility and credibility in public media. This module can provide timely feedback information to improve the operation of PPP and commissioned project financing. The evaluation mechanism should emphasize research results' practicality, relevance, transformation situation, media interview frequency, publication citation frequency, and policy responses triggered by think tank products.

### 5.3 Strengthen Think Tank Financing Risk Management

Strengthening think tank financing risk management is crucial. Financing risk management includes risk identification, risk estimation, risk evaluation, and risk control (see [Figure 11: see original paper]). Risk identification includes: donation fundraising risk—due to the instability of donations and the impact of social credibility, causing significant annual fluctuations in donation amounts; government subsidy risk—due to government reforms or fiscal pressure causing changes in subsidy amounts; investment risk—the risk of using surplus funds from previous years for value appreciation, where think tank investments should consider safety, profitability, and liquidity rather than high profits as the primary goal; and expenditure risk—the risk that funds invested in a research project fail to achieve expected results. Risk estimation includes the possible frequency and severity of think tank financing risks. Risk evaluation assesses think tank financing risk values and acceptability. Risk control measures include: improving internal fund management personnel and systems; promoting think tank research results and disclosing financial conditions to create a reliable social image that accepts public supervision, i.e., enhancing information disclosure management; expanding diversified funding channels and operating think tanks independently; and enabling think tank managers to use contingency management thinking to deal with unexpected situations, i.e., establishing emergency management measures.

International renowned think tank financing models include government funding, social donations, market operation income, PPP models, and commissioned research project funding, characterized by diversified funding channels, relative independence from government, and transparent financial information. Therefore, drawing lessons from foreign think tank financing models, Chinese think tanks should expand funding channels, maintain independence from government, improve legal and policy support, and form diversified, multi-channel, multi-level financing models and financing risk management based on PPP and commissioned projects. This will enable Chinese think tanks to obtain guaranteed and sustainable funding during the construction of new think tanks with

Chinese characteristics, continuously enhancing the influence and competitiveness of various think tanks, and ultimately forming a new think tank system with Chinese characteristics that is clearly positioned, distinctive, moderately scaled, and rationally laid out.

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*Note: Figure translations are in progress. See original paper for figures.*

*Source: ChinaXiv –Machine translation. Verify with original.*