

**THE JAPAN FOUNDATION
CENTER FOR GLOBAL PARTNERSHIP
GRANT PROGRAM**

**The State
of
Private Development Assistance
(PDA)**

Building a Shared Understanding of
its Roles and Effectiveness in Japan,
the United States, and Asia

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Chapter I: Assessing the Status of Private Development Assistance (PDA)

Private capital flows to developing countries surpassed the funding levels of Official Development Assistance (ODA) beginning in the first half of the 1990s, and have been continuing to grow each year, despite the impacts of the recent financial crises. According to the Hudson Institute's Global Prosperity Center, which compiles international data on private financial flows, private sector flows from OECD donor nations reached an overall level of \$57.5 billion in 2010, which is almost five times greater than the amount of public funding (including ODA). This total consisted of private capital investment of \$32.9 billion; Private Development Assistance (PDA)¹ from NGOs and others of \$5.6 billion; and foreign remittances of \$19 billion. The amount of Private Development Assistance (that is, the private capital flows excluding private investment and foreign remittances) provided by the United States exceeded that country's level of ODA funding; the largest share within this, accounting for more than one third of the total, was NGO funding – which exceeded Japan's ODA funding level that year (over \$3 billion dollars), further demonstrating the power and scale of U.S. civil society. Facilitated by the growth of on-line giving and other factors, Private Development Assistance is on an upward trend – rising rapidly in the case of United States, albeit more gradually in the case of Japan.

Being of such enormous scale, such private funding would certainly be expected to have significant impacts on developing country economies and societies – but because of the diverse and decentralized nature of this funding, it is by no means a simple matter to precisely assess its impact.

The DAC countries, including Japan, provide data each year to the OECD concerning Private Development Assistance;² however, it has been pointed out that this data can be incomplete, by not reporting funding provided by corporations, religious organizations and others. The U.S. Agency for International Development (USAID) has conducted an analysis of private sector funding by the United States – the country for which data is believed to be most complete. This assessment, based primarily on data provided by the Global Philanthropy Center mentioned above, evaluated and compared data available from a variety of sources and provided findings concerning total PDA funding levels, as well as the amounts of funding provided from specific

¹ While the Hudson Institute report uses the term "Private Philanthropy" to describe these financial flows, in this report we use the term "Private Development Assistance," or PDA. This conveys the fact that while such funding is provided by the private sector, its goal – as with Official Development Assistance (ODA) from governments – is to promote development in developing countries.

² The OECD refers to such funding as "Grants by non-governmental organizations (NGOs);" in addition to funding by NGOs and foundations, this category includes funding for social welfare or development purposes that is provided by religious organizations and private companies.

sources (NGOs, religious organizations, foundations, universities, and corporations through corporate social responsibility activities).

Internationally, the Global Prosperity Center is currently undertaking an initiative to compile more accurate statistics concerning PDA funding for 14 of the 22 member countries of the DAC; as a result, a quantitative picture of global PDA funding is gradually coming into view – albeit in a voluntary manner. In order to gain a grasp of the current status of Private Development Assistance – and to evaluate its impacts – there is an urgent need to gather and compile higher quality data.

At the same time, the developing countries that are now on the receiving end of such massive private capital flows find themselves faced with a rapidly proliferating constellation of development actors, as well as an increasing complexity of funding flows. Much like the uncertainties that surround the overall scale of Private Development Assistance, little has been done to clarify the realities of the resulting development assistance "spaghetti bowl" of interlinking donors and recipient institutions, or how this situation will affect developing countries. Through clarifying the current picture concerning Private Development Assistance – including how PDA differs from ODA, as well as the unique impacts that private funding can have – it should be possible to arrive at an understanding of the role that PDA plays within the overall development assistance landscape, thus allowing for the formulation of effective assistance policies that can also take account of Private Development Assistance flows.

In this chapter, we report on activities to quantitatively and qualitatively assess Public Development Assistance in light of this current situation and background. Section 1 provides an account of efforts to obtain and compile available existing data regarding the scale of Private Development Assistance involving Japan. As a result of exchanges of information and advice provided by the Global Prosperity Center (GPC) mentioned above, it has been possible to share data and compilation methods with those engaged in similar research in other DAC countries, and research results have been incorporated into the GPC's annual report.

Further, in Section 2, we report on the results of interviews conducted in Indonesia, which were held in order to qualitatively assess the nature and impacts of PDA funding and to clarify the differences between PDA and ODA in terms of the amount and character of these funding flows.

Japanese Global Philanthropy		
	100 million JPY	Billion USD
PDA	3,157	3.38
Foundations	65	0.07
NGOs	443	0.47
Corporations	44	0.05
Volunteers	2,605	2.79
Universities	na	na
Religious orgs.	na	na

1. The total amount of Japanese global philanthropy

According to data submitted to the OECD, Japanese private sector funding (grants by private voluntary agencies) totaled 49.8 billion Japanese yen (JPY) in 2009, and 60.7 billion JPY in 2010; the funding reported under the current survey, 315.7 billion JPY, was far higher than such previous figures. The economic value of voluntary international cooperation activities is particularly great. Due to a lack of basic data, we were not able to ascertain the funding provided by religious organizations and universities for the current survey; nevertheless, the economic value of such funding by Japan would be anticipated to be lower than in the United States.

Foundations

With the cooperation of the Japan Foundation Center, we were able to obtain for use in our survey the fiscal year 2009 data from the "Database of Grant-making Organizations" (a resource which the Center has issued annually since 1987) concerning funding provided for overseas activities as well as concerning scholarships provided to foreigners.

According to 2009 editions of annual reports of specified Civil Code corporations, "funding" or "grantmaking" was listed among the types of activities conducted by 3,802 foundations (*zaidan-hojin*), 637 associations (*shadan-hojin*), and 67 social welfare corporations (*shakaifukushi-hojin*); there are thus an estimated total of 4,506 organizations in Japan providing funding.

The Japan Foundation Center defines "grantmaking-type organizations" as being those organizations which conduct any of the following: (1) the provision of funds to individuals or organizations in order to conduct research, undertake projects, etc.; (2) the payment of scholarships to students, foreign exchange students, etc.; or (3) the presentation of awards and prizes, etc., in recognition of outstanding achievements by individuals or organizations. Survey forms were sent to approximately 1,700 organizations that had been involved in previous surveys by the Center, along with approximately 1,000 organizations included in the Ministry of Internal Affairs and Communications' database of public benefit corporations listing "funding/grantmaking," "lending," "awards," etc., among their activities; responses were obtained in fiscal year 2009 from 1,290 organizations.

Based on the data obtained from the Center, the grantmaking activities of the various organizations were classified as research grants or project grants and tallied; lists of the number and amounts of scholarships provided to foreigners were also prepared. This data was further supplemented by data for large-scale organizations not appearing in the lists (such as the Toyota

Foundation and the Uehara Memorial Foundation); grants and scholarships for non-developing countries were excluded, based on the OECD-issued "DAC List of ODA Recipients, Effective for reporting on 2009 and 2010 flows." In order to avoid double-counting of governmental funding, for reference an additional calculation was made of the proportion of overall funding that remained after deducting from the total those expenditures for overseas projects which had been received in the form of public subsidies. Government-subsidized funding in the form of grants from the Ministry of Foreign Affairs accounted for approximately 80% of the revenues of Japan Platform, an organization specializing in international emergency relief activities; in this case, therefore, only approximately 20% of their total funding was considered to be expenses for overseas projects.

Global Philanthropy from Foundations in Japan

	No.of orgs	No.of programs	Amount (¥ 1,000)	% of Total amount	Amount deducted of public subsidy (¥ 1,000)	% of Total amount
Research	42	384	213,084	3.2%	213,084	4.1%
Project	30	374	2,352,427	34.9%	856,003	16.3%
Scholarship	149	5,680	4,182,289	62.0%	4,182,289	79.6%
Total	221	6,438	6,747,800	100.0%	5,251,376	100.0%

NGOs

Figures related to NGOs were compiled from data available in the online "International Cooperation NGO Directory" of the Japan NGO Center for International Cooperation (JANIC). The "International Cooperation NGO Directory" provides a compilation of reports of voluntary project activities conducted by private nongovernmental and nonprofit organizations throughout Japan of the following types: (1) Development Cooperation: provision of support (financial, technical, material, human resources, etc.) related to activities to address global issues including development, human rights, the environment, etc.; (2) Education & Advocacy: provision of information, educational activities, and policy recommendations related to item 1; (3) Networking: coordination and networking among organizations engaged in activities under items 1 and 2. To be included in the Directory organizations must: (1) be citizen-led; (2) have a decision-making structure with clear responsibilities and the capacity to respond at any time to requests for information; (3) have independent finances; (4) make information publicly available; and (5) have a track record of at least one year of activity. As of October of 2011, when the survey was conducted, the directory listed 403 organizations; this number included

organizations providing support to NGOs.

The survey was conducted using the following procedure. First, the overseas project expenditures (including personnel expenses) of each organization were calculated; when such information was not provided in the Directory for a given organization, calculations were made based on the figures available on organizational websites. Most organizations provided reports of their project expenditures for fiscal year 2009; for those organizations providing reports for other fiscal years, those data relevant to fiscal year 2009 that could be ascertained were used, and in cases in which such data could not be ascertained, the figures provided in the Directory were used. Figures for the overseas project expenses of the Japan Committee for UNICEF and the Japanese Red Cross, large-scale organizations that had not been included in the Directory, were also added.

Moreover, in order to avoid double-counting of public funding, for those organizations having overseas project expenditures of 10 million JPY or more, a calculation was made of their total funding after excluding the proportion comprised by public subsidies and contracts. Because there were many earnings and expenditure statements which did not distinguish public subsidies and contracts from those from private sources, we identified five different patterns for calculating the amounts of overseas expenditures: (1) amounts for which subsidies and contracts were not excluded; (2) amounts for which only the portion clearly identifiable as public subsidies was excluded; (3) amounts for which the portion of subsidies and contracts was excluded, except for that portion clearly identifiable as private funding; (4) amounts for which only that which was clearly identifiable as public subsidies and contracts was excluded; and (5) amounts for which the proportion of grants, subsidies and contracts was excluded, except for that portion clearly identifiable as private grants and contracts.

Global Philanthropy from NGOs in Japan

	No. of orgs	①Amount of overseas expenses (¥ 1,000)	②overseas expenses (deducting public subsidy) (¥ 1,000)	③overseas expenses (deducting subsidy & grants) (¥ 1,000)	④overseas expenses (deducting subsidy & public contract) (¥ 1,000)	⑤overseas expenses (deducting subsidy & contract) (¥ 1,000)
NGOs with overseas expenses of more than 10 million yen	115	43,874,868	42,657,272	41,712,387	42,123,965	40,858,471
NGOs with overseas expenses of less than 10 million yen	167	442,537	442,537	442,537	442,537	442,537
NGOs for which data was not available	123	0	0	0	0	0
Total	405	44,317,405	43,099,809	42,154,924	42,566,502	41,301,008

Corporations

For data regarding corporations, we utilized the results of the "Corporate Philanthropy Activity Report" for fiscal year 2009 produced by the Japan Business Federation (*Nippon Keidanren*), a survey of the activities of its committee on Corporate Philanthropy and corporate members of the philanthropic "One-Percent Club." In order to clarify the CSR activities of its member companies, since 1991 Keidanren has conducted an annual survey of the CSR activities that corporations carried out during the previous fiscal year. For the fiscal year 2009 survey, questionnaires were sent to 1,306 companies, including the members of the One-Percent Club as well as other Keidanren member companies; responses were obtained from 367 companies. From among these, responses detailing CSR expenditures were obtained from 348 companies, found in the "expenditures survey" portion of the questionnaire. In addition, 45 companies provided consolidated responses; these 45 group responses collectively reported on the activities of some 3,900 companies. The total CSR expenditures reported covered all donations (including financial grants, as well as the total monetary value of in-kind contributions including the provision of goods, access to facilities, and activities by dispatched employees), as well as expenses for independently conducted programs and expenditures related to assistance for areas experiencing disasters.

Overall expenditures for CSR activities by the 348 companies for which responses were obtained were 153.3 billion JPY; of this, expenditures in the fields of international exchange and cooperation accounted for 3%, for a total of 4.426 billion JPY. However, because activities undertaken domestically in Japan are included within the totals for the international exchange field, and because some funding also flows to developing countries within other fields, such as environment and disaster assistance, this figure should be used for general reference only. Because independent surveys and other methods are considered necessary for ascertaining exact data in the future, preparation for such activities is currently ongoing.

Through future research we also hope to survey corporate activities in developing countries, including business operations – such as "inclusive business" and "social business" activities – as well as "impact investments" aimed at solving social concerns.

Volunteer Time

The report "Giving Japan 2010" issued by the Japanese Fundraising Association calculated the economic value of volunteer activities related to international cooperation for fiscal year 2009. According to this report, the economic value of all activities by Japanese volunteers reached 10,500.3 billion JPY; within this, activities in the fields of international exchange and

cooperation accounted for 2.5%, equivalent to some 260.5 billion JPY. This figure was arrived at by multiplying the total hours of volunteering time in these fields (125,850,000 hours) by the average wage (2,070 JPY) received for the occupation and industry that corresponds to the international exchange and cooperation fields (namely, employees of political, economic and cultural organizations) as found in the "Basic Survey on Wage Structure" issued by the Ministry of Health, Labour and Welfare. However, because it is not possible to isolate the international cooperation and exchange activities that are related solely to developing countries, this amount should be considered as an upper limit.

Conclusion

Based on this research, it is fair to say that the economic volume of private philanthropy to the development world is far bigger than the previous figures in Japan. The economic value of volunteering for developing countries is too high to neglect. However, unlike the United States, the flow of private philanthropy is not as big as that of official development assistance (ODA). As stated previously, without basic data, we were not able to ascertain the funding provided by religious organizations and universities for the current survey; nevertheless, the economic value of such funding by Japan would be anticipated to be lower than in the United States.

Through future study, we consider conducting independent surveys and other methods for ascertaining exact data in the future. Also, the basic figure of funding provided by religious organizations and universities should be collected. Furthermore, we hope to survey corporate activities in developing countries, including business operations – such as "inclusive business" and "social business" activities – as well as "impact investments" aimed at solving social concerns as the line between investment and private giving has been blurred in some areas.

We hope that we will compile data as precisely as possible so that we will be able to ascertain the sources and magnitude of private philanthropy in the future. We believe that such study will make modest, but meaningful contribution to the issue of PDA's development effectiveness and public-private partnership, as there is an increasing demand for private organizations to commit themselves to sustainable development.

Chapter II Frameworks for Evaluating Development Assistance

Section 1 – Private Development Assistance Efforts Seen in Terms of Frameworks for Evaluating Development Assistance – Reflections from the Study Group on Private Sector Development Assistance

A series of study group sessions were held focused on addressing the issue of "business and development," especially the question of frameworks for measuring the effectiveness of development assistance efforts undertaken by companies, NGOs, and others in the private sector. In light of the various measures that are being pursued in support of so-called "Base of the Pyramid" (BOP)³ businesses – that is, businesses targeting the poor in developing countries – these sessions explored the questions of how BOP activities can best be integrated into development-related efforts and how we can learn to measure the effectiveness of BOP activities. The sessions also explored the mutually supportive roles that should be played by various development actors – government, international organizations, NGOs, academia, and others – in order to sustain the future development of BOP business activities involving Japan, which are just now beginning to blossom. In order to promote information sharing and allow for an exchange of views across the different sectors, study group sessions were designed to bring together diverse stakeholders and promote a common understanding that can be shared among disparate stakeholders.

The study group meeting sessions addressed a variety of issues including: BOP support activities undertaken by international development organizations; evaluation methodologies; case studies of BOP-related collaborations involving universities, NGOs, and others; and development effectiveness approaches. Sessions were generally designed to begin with presentations by two speakers that provided the basis for discussions; the goal was to promote shared understandings of the specific challenges encountered in the field as well as the issues that should be considered from the perspective of development impacts. To provide a shared basis of reference for discussions among the participants, in preparation for the meetings a listing and categorization was compiled of existing documents relevant to frameworks and methodologies for assessing development impact.

The session discussions successfully promoted a degree of shared understanding among the

³ Base of the Pyramid (BOP) businesses take their name from the fact that they address the lowest economic stratum, the bottom or base of the economic pyramid. Within these study sessions, a term that was repeatedly used was "inclusive businesses," a designation signifying businesses that comprehensively involve all people in business activities, either as actors or targets; in this report we employ the term "BOP businesses," which is more widely used.

participants with respect to the following points:

- In order to make BOP businesses sustainable, it will be necessary to have indicators and frameworks for evaluating their development impact; however, it will be preferable that these not be used for the monitoring of private sector corporations, but rather so as to provide incentives to businesses.
- As private companies are not able to develop such evaluation indicators and frameworks on their own, companies will look forward to efforts on the part of development experts to draw up simple and easy-to-use indicators and frameworks that they can use.

In addition, the following were raised as points that should be given consideration in relation to evaluation efforts:

- Who should perform the evaluations (the independence of the evaluations), and when should evaluations be performed (including considerations of the sustainability of evaluation efforts)?
- Different types of indicators and frameworks will be required for different sectors.
- There is a need to consider the burdens associated with conducting evaluations.

Already, however, a number of frameworks and metrics for evaluating development impact have been developed for various purposes by international development organizations, NGOs, Western business networks, and others. There has been a trend toward the development of assessment criteria for use in the evaluations performed by financial institutions and for lending activities; in particular, many development assistance agencies include analytical evaluations within their existing frameworks.

The study group sessions were held with the cooperation of Professor Izumi Ohno of the Development Forum of the National Graduate Institute for Policy Studies (GRIPS) and her staff, and were co-sponsored by GRIPS and the CSO Network. Sessions were convened a total of four times – in July, September, November and March. A conference room at GRIPS served as the meeting venue, and to facilitate reporting a dedicated study group site was launched within the website of the GRIPS Development Forum, through which occasional postings made reports of session meetings widely available to the public.

The following provides a summary of the study group activities. Detailed reports of specific sessions are provided in the Appendix.

"Private Development Assistance (PDA) Study Group – Exploring the Development Impact of PDA"

Session One: July 4, 2011 (Monday)		
"Development Impact Approaches for Civil Society"		
Opening	Ms. Izumi Ohno	Overview of Study Group Session
Remarks	Professor, National Graduate Institute for Policy Studies (GRIPS)	
Reports	Ms. Masako Hasegawa Program Officer, CSO Network	Overview of the "Private Development Assistance Survey Project"
Presenters	Ms. Kaori Kuroda Co-Director, CSO Network	"Frameworks for Measuring and Evaluating Private Development Assistance"
	Mr. Katsuji Imata Co-Director, CSO Network / Deputy Secretary-General, CIVICUS	"The Development Impact of Civil Society Organizations (CSOs)"
	Ms. Akiko Mera Executive Director, Oxfam Japan	"The 'Poverty Footprint' in Developing Countries – Businesses and Poverty Reduction"
Participants	A total of 18 participants, including those affiliated with the Ministry of Foreign Affairs (1 participant), JICA (4), International Organizations (3), USAID (1), Academia (1), GRIPS (4), and the CSO Network (4).	
Session Two: September 9, 2011 (Friday)		
"Case Studies of Inclusive Business Initiatives and Evaluation Methods by International Organizations (IFC and UNDP)"		
Reports	Ms. Masako Hasegawa Program Officer, CSO Network	"Quantitatively Assessing Private Development Assistance"
Presenters	Mr. Toshiya Nishigori Communications and Civil Society Officer, UNDP Tokyo Office	"Inclusive Markets Development – UNDP's Collaborative Initiative with the Private Sector"
	Ms. Michiko Sugita Research Analyst, IFC Tokyo Office	"IFC's Inclusive Business Activities – Case Studies and Evaluation Methods"
Participants	A total of 22 participants, including those affiliated with the Ministry of Foreign Affairs (3	

	participants), JICA (1), International Organizations (2), USAID (1), Corporations (6), NGOs (2), GRIPS (3), and the CSO Network (4).	
Session Three: November 8, 2011 (Tuesday)		
"Supporting BOP Businesses – Initiatives from around the World"		
Opening	Ms. Kaori Kuroda	Overview of Study Group Session
Remarks	Co-Director, CSO Network	
Presenters	Mr. Ryosuke Kimura Associate, PricewaterhouseCoopers Co., Ltd.	"Update Regarding the BIF Project and Collaboration with SIDA-IAP"
	Ms. Izumi Ohno Professor, National Graduate Institute for Policy Studies (GRIPS)	"How to Merge the Perspectives of Development and Business – Experiences from the UK and Germany"
Participants	A total of 22 participants, including those affiliated with the Ministry of Foreign Affairs (3 participants), JICA (3), International Organizations (1), Corporations (4), Academia (1), NGOs (2), GRIPS (4), and the CSO Network (4).	
Session Four: March 14, 2012 (Wednesday)		
"BOP Businesses – Development Impact and Social Assessments"		
Reports	Mr. Naoto Yamauchi Professor of Public Economics, Osaka University	"The Private Development Assistance Scale Estimation Study"
Presenters	Mr. Jin Wakabayashi Director, JICA Private Sector Partnership Division	"Supporting BOP Businesses – Issues and Trends"
	Mr. Tokutaro Hiramoto Consultant, Nomura Research Institute	"BOP Business Development Steps and Fundraising: Why Do BOP Business Funds and Business Competitions Emphasize Social Assessments?"
Participants	A total of 21 participants, including those affiliated with the Ministry of Foreign Affairs (3 participants), JICA (2), Corporations (4), Academia (3), NGOs (1), GRIPS (4), and the CSO Network (4).	

Summary of Session One:

"Development Impact Approaches for Civil Society"

The chair of the session, Prof. Izumi Ohno of the Development Forum of the National Graduate Institute for Policy Studies (GRIPS), launched Session One with an overview explanation of the activities of the study group.

The next speaker was Ms. Masako Hasegawa of the CSO Network, the organization co-convening the study group series along with GRIPS, who provided an introduction to the "Private Development Assistance Survey Project." This project, which the CSO Network has been undertaking since the previous fiscal year, aims to quantitatively and qualitatively assess private development activities and to survey and research frameworks for measuring the effectiveness of private development activities, a key concern of this study group.

Next, Ms. Kaori Kuroda, Co-Director of the CSO Network, introduced a number of indicators used for evaluation of development impact. Mr. Katsuji Imata, Co-Director of the CSO Network and Deputy Secretary-General of CIVICUS, followed with a presentation regarding one such indicator, the development impact of civil society organizations (CSOs). Another example concerning civil society was then provided by Ms. Akiko Mera, Executive Director of Oxfam Japan, who reported on the concept of the 'Poverty Footprint.'

Thereafter, Prof. Izumi addressed the differences between assistance activities undertaken by the public and private sectors and introduced issues that should be considered in relation to the development impact of private development activities; he also introduced examples of the different kinds of evaluation metrics, as well as the assessment indicators being used by development financing institutions.

Summary of Session Two:

"Case Studies of Inclusive Business Initiatives and Evaluation Methods by International Organizations (IFC and UNDP)"

This session began with a brief overview by Ms. Masako Hasegawa the CSO Network of the "Survey for Quantitatively Assessing Private Development Assistance." The CSO Network is undertaking a project to survey the scale of financing for private development assistance activities in Japan for six sectors: (1) foundations, (2) NGOs, (3) corporations, (4) volunteering time, (5) universities, and (6) religious organizations. Currently, the data concerning foundations and NGOs has been compiled and is being studied; findings indicate that the scale of such activities is not appreciably different from existing figures.

Next, Mr. Toshiya Nishigori, Communications and Civil Society Officer for the UNDP Tokyo Office, presented a report entitled "Inclusive Markets Development – UNDP's Collaborative Initiative with the Private Sector."

UNDP has been engaged in cooperation with the private sector since the 1990s, and starting in 2000 has been pursuing programs under a special UNDP initiative. As of 2007, 530 cooperative activities had been conducted in over 100 countries worldwide, involving financing equivalent to approximately 10 billion yen. Inclusive markets provide opportunities and choices for the poor, and inclusive businesses engage the poor in business activities through four different types of roles – as producers, consumers, entrepreneurs, and employees – creating mutual benefit for both the poor in society as well as businesses that seek profits over the near term.

UNDP's global initiatives in collaboration with the private sector consist of three approaches that pursue comprehensive market development: Growing Inclusive Markets (GIM), the Business Call to Action (BCtA), and Growing Sustainable Businesses (GSB). Among these, the GIM is garnering the greatest attention; the GIM approach, aimed at promoting the spread of inclusive businesses, involves the collection and analysis of examples of activities that support both business and development. Last year, a book about the GIM initiative was published commercially, and its matrix-based approach to analyzing business strategies and constraints and has been well received. The BCtA is a business network aimed at achieving the Millennium Development Goals (MDGs) which also provides a platform for knowledge sharing regarding inclusive businesses. The GSB provides support for the realization of sustainable businesses in developing countries. This last approach provides a framework for engagement by Japanese corporations; the intention is for the GSB to be integrated into the GIM in the future.

This presentation was followed by Ms. Michiko Sugita, Research Analyst with the IFC Tokyo Office, who gave a presentation entitled "IFC's Inclusive Business Activities – Case Studies and Evaluation Methods."

Evaluations by the IFC are of two types: evaluations performed by the Independent Evaluation Group (IEG), an independent organization, and project-based assessments conducted by IFC staff responsible for projects. In addition to evaluations performed immediately upon project completion, projects are also tracked for several years throughout the project cycle.

Since 2005, the IFC has used an evaluation framework called the Development Outcome Tracking System (DOTS). Project implementers are asked to commit to this framework at the time



of contract signing, and feedback is requested on a regular basis throughout the entire process. The DOTS framework specifies indicators for different business sectors, and provides easy-to-use evaluation metrics. The framework is comprised of four elements: (1) Financial Performance, (2) Economic Performance, (3) Environmental and Social Performance, and (4) Private Sector Development Impact. In measuring development outcomes, emphasis is placed on three frameworks, namely, (1) development impact, (2) IFC benefits, and (3) IFC's unique added value.

Two years ago, an Inclusive Business Group was created within the IFC; prior to that, inclusive business activities already accounted for approximately 10% of all projects. The ECOM coffee cultivation project was introduced as a case study of successful IFC lending. As a result of this project, coffee farmers raised their productivity, leading to increased income levels, and ECOM was able to achieve a stable supply chain.

Summary of Session Three:

"Supporting BOP Businesses – Initiatives from around the World"

Mr. Ryosuke Kimura, Associate with PricewaterhouseCoopers, presented a report entitled "Update Regarding the BIF Project and Collaboration with SIDA-IAP – Relevance for Japan."

The Business Innovation Facility (BIF), a program of the UK's Department for International Development (DFID), has provided information over a three-year period to some 300 companies having an interest in inclusive business activities; 80 companies have also been engaged in workshops and matchmaking activities. With funding of 3 million euros (approximately 375 million yen), BIF has also provided consulting services for 30 companies on a cost-sharing basis. There is a plan to scale-up these activities through collaboration with other donors, with an aim to reach a scale of 30-60 million euros in three years' time. A BIF core team in the UK manages the program, and country managers are based in five pilot countries (India, Bangladesh, Malawi, Zambia and Nigeria), where they work to build collaborations with local organizations and governments. BIF also manages the "Practitioner Hub," a web portal having more than 1,500 registered members from a wide range of countries, which serves as a knowledge-sharing and networking platform.

After one year of operation, the involvement of BIF has been beneficial, including through helping to increase the feasibility of projects, as a result of the strength of the additional support provided by BIF staff, as well as because the risks inherent in business models and project organizations



are higher than external risks. It is too soon to see direct and indirect impacts on those at the Base of the Pyramid. It seems that long-term and continuous monitoring will be needed.

Innovation Against Poverty (IAP) is a program by the Swedish International Development Agency (SIDA) which provides both financial and advisory support for reducing poverty. The IAP provides subsidies of 200,000 euros per year as matching funds; companies bear 50% of costs. There are no restrictions on the countries where projects can be conducted or where the participating companies must be based. PricewaterhouseCoopers manages the program, in collaboration with the BIF.

The BIF and IAP share their knowledge and research findings at the international level through the Practitioner Hub, and also work for the effective utilization of their resources through country-level sharing platforms. Collaboration is beginning to break down the walls between countries and donors. Because the BIF and IAP do not have restrictions on the nationality of the organizations that they support, Japanese organizations would also be able to utilize these programs.

Western countries began their support for BOP businesses some 10 years before Japan did, but such support has generally been provided through development assistance agencies. In contrast, support from Japan has been provided through a broad range of Japanese organizations, including METI, JETRO, the Ministry of Foreign Affairs, JICA and others. Additionally, whereas the support by the United Kingdom (through DFID) and the United States (through USAID) has not been restricted in terms of the nationality of the companies involved, Japan and Germany have been providing support for companies based in their home country (member states of the European Union in the case of Germany), framing their initiatives in the context of industrial policy.

Under the Business Call to Action (BCtA), DFID has been conducting corporate outreach and has been disseminating and sharing examples of success among the participating companies; DFID has also established various "Challenge Funds" that provide support to poverty-alleviation business proposals received in response to public solicitations. The BIF provides advisory services for local corporations, supporting them with the development of their business models during the project formulation stage. DFID staff are not directly involved in the management of the BIF or the challenge funds, nor in the activities to supporting project formulation; these activities are contracted out to consultants.

With regard to efforts related to development impact metrics, companies registering with the BCtA provide a self-assessment in their Application Form indicating how their participation in the BCtA initiative will contribute to solutions to social concerns, and the results they achieve must be reported on their Results Form. Based on experience with previous challenge funds, the Africa Enterprise Challenge Fund (AECF) has also introduced a mechanism under which

consulting teams provide participating corporations with advice on metrics for assessment and monitoring in relation to each project. The BIF is managed by a consortium team led by PricewaterhouseCoopers, which meets with participating corporations to provide support for the formulation of their development impact metrics.

In Germany, experts from the implementing agencies (DEG, GIZ and SEQUA) provide advice to corporations throughout the process and work to develop collaborative public-private projects. Even as part of proposal competitions, representatives from the implementing agencies hold multiple discussions with companies that pass the first round of the selection process to jointly help prepare the final proposals. In the case of the GIZ (Germany's international development cooperation agency), advice is provided by private-sector collaboration specialists from both the headquarters office as well as offices in developing countries. As a new policy for promoting cooperation with the private sector under the center-right coalition government (since October 2009), the Development Cooperation Scouts program dispatches GIZ staff to work within Chambers of Commerce and industry organizations. In addition, a private-sector collaboration "service point" has been established within the Federal Ministry for Economic Cooperation and Development, and support is provided through the ministry's Investment and Development Company (DEG) for strengthening small and medium-sized enterprises in Germany and also local industries in developing countries.

Building on more than a decade of experience, activities are underway in the UK and Germany to help merge the perspectives of business and development, through consultations and other activities that bring the development perspective to corporations, as is being done in the UK by consulting firms and in Germany by specialists from implementing agencies. Through a BOP business collaboration promotion study undertaken by JICA, joint ventures are being promoted that involve businesses and development consultants; this has the potential to develop into a "third way" Japanese-style approach that is distinct from the paths taken by the UK and Germany. All approaches, however, require that the partners involved learn to appreciate the various perspectives of one another, along with providing platforms for networking and exchange activities that build relationships of trust. Those in the development assistance community should bear in mind that corporate activities can only have a development impact if they are viable from a business point of view. Practical and easy-to-use evaluation metrics are needed by practitioners, and it will be important to create mechanisms tailored to the circumstances of different countries. It will also be vital that those in the research community develop empirically based impact evaluation methods. In order to promote social investment, it will also be crucial to establish methods for evaluating development impact and making such impacts visible.

Summary of Session Four:

"BOP Businesses – Development Impact and Social Assessments"

Session Four began with an overview by Mr. Naoto Yamauchi, Professor of Public Economics at Osaka University, of the "The Private Development Assistance Scale Estimation Study." During the current fiscal year, the CSO Network and the Osaka University Center for Nonprofit Research and Information have been conducting a survey of the scale of Japan's funding for private development assistance. Data was compiled concerning NGOs and philanthropic foundations (for both of these, it was possible to utilize existing data) and an estimate of volunteering time was made based on the white paper "Giving Japan 2011." This study has found that the amount of PDA funding –totaling 308.9 billion yen in fiscal year – is significantly larger than had previously been thought. While the study conducted during this fiscal year is a preliminary experiment, the research team plans to undertake independent surveys and research, and to expand the range of sectors and survey items to be included, in their studies regarding future fiscal years.

Next, Mr. Jin Wakabayashi, Director of the JICA Private Sector Partnership Division, gave a presentation entitled "Supporting BOP Businesses – Issues and Trends."

The types of collaborative projects supported by JICA for the promotion of BOP businesses include activities during the research and study phase, the development of business models, and the preparation of business plans. Emphasis is given to matching business "seeds" with local needs, along with the formulation of business models that ensure both project feasibility and development impact. The activities being undertaken fall into a number of categories, including seminars and other outreach efforts, the joint preparation of model projects and other collaborative preparatory research, and the strengthening of the consideration of development-oriented perspectives through development workshops.

Three collaborative feasibility studies have been carried out so far. Activities to match business partners – matching "seeds" with "needs" – have also been undertaken. Key challenges that have arisen have included (1) determining a menu of appropriate support activities tailored to the different phases of business development, and (2) expanding the pool of applicant organizations. Follow-up efforts should also be made with respect to those projects which are not adopted, and methods for doing this are yet to be determined.

Discussions are currently proceeding concerning how the feasibility studies should be evaluated. The potential for collaboration with other donors – including IFC, ADB and USAID – has also been explored; as JICA works toward putting in place an objective evaluation framework, it will be necessary to specify the key criteria for determining who should be engaged. In order to expand the range of organizations involved in BOP business activities, key

challenges will include (1) tailoring products to local conditions, (2) promoting the proactive adoption of leading technologies and products, and (3) undertaking collaborations that allow local governments and others to take the lead, not only corporations. In order to ensure both project feasibility and development impact, it will be crucial to promote deeper understanding of the development perspective among corporations, as well as to strengthen evaluation systems and the abilities of development organizations to engage in collaborative activities.

Next, Mr. Tokutaro Hiramoto, Consultant with the Nomura Research Institute, provided a presentation entitled "BOP Business Development Steps and Fundraising: Why Do BOP Business Funds and Business Competitions Emphasize Social Assessments?"

The funders of BOP business activities differ with each phase of the process; during the initial project conceptualization phase, business contests run by universities provide start-up funding (in the case of the United States); next, for the feasibility study phase, funding has mainly been provided by public institutions and international organizations. There is a lack of funders to support the following project build-out phase, but once projects enter the expansion phase various funders appear, including hybrid-type BOP investment funds, venture capital, and international organizations. In the case of Japan, funders are lacking or inadequate for the project conceptualization and start-up phases, and there are "missing links" in the overall BOP business process. Going forward, there will be a need to secure further sources of funding.

Judges for business competitions and mentors play a key role in the activities of all of the BOP business competitions run by U.S. business schools, allowing the contest participants to strengthen their networks, thus helping them to refine their business models and improve their post-competition funding prospects. Each competition has adopted its own independent approach to assessing social impacts, which helps each competition emphasize its uniqueness and attract supporters.

A number of investment funds proactively invest in BOP businesses, seeking a balance of both financial performance and social impact. These are also known as impact investment funds. Networking organizations have also been established in the United States, including the Rockefeller Foundation's Global Impact Investment Network (GIIN) and the Aspen Institute's Aspen Network of Development Entrepreneurs (ANDE).

GIIN has established a set of metrics for assessing social impacts within its Impact Reporting and Investment Standards (IRIS), and works to share information, including case studies in which the standards have been used in practice, thus helping inform efforts by a variety of organizations to give priority to these indicators in evaluating their activities. This has allowed a variety of organizations to adopt shared priorities, and as a result of outreach efforts undertaken by ANDE and others, the IRIS metrics are now being used by over 130 organizations.

In addition, based on the methodology of cost-benefit analysis, the Acumen Fund has developed its own assessment indicator for evaluating the "social return on investment (SROI);" this Best Available Charitable Option (BACO ratio) allows the Fund to convey to supporting organizations the performance of its projects. The Acumen Fund is also investing in social entrepreneurs, since investment can have a greater social impact than charity.

Because of the difficulties that BOP businesses can have in generating profits over the short term, as well as the possibilities that backers may end up withdrawing as a result of turnover in management, a number of new approaches are being undertaken to create frameworks to sustain BOP activities, including efforts by companies in France and elsewhere to set up in-house BOP business funds. Such organizations not only invest in local BOP businesses, but also raise funds from foundations and public institutions. For example, the Schneider Electric Energy Access (SEEA) Fund was established as an in-house ethical fund that invests in developing country BOP entrepreneurs. GDF Suez also created an in-house NGO that dispatches volunteers.

Section 2 – The Development Effectiveness Debate & Its Contributions to Frameworks for Assessing Development Impact

The "4th High Level Forum on Aid Effectiveness (HLF4)," held 29 November-1 December 2011 in Busan, South Korea, took note of the structural changes now occurring in the international development field as a result of the emergence of new development actors, including the newly emerging economies, the private sector, civil society and others. A key theme of the Busan process was the formation of a consensus on the creation of frameworks to support collaborative efforts involving diverse development actors. A key outcome of the High-Level Forum was the release of the "Busan Partnership for Effective Development Cooperation," which called for partnerships involving diverse development stakeholders and which also emphasized the principle of results-oriented development, based on transparency and accountability.

The development effectiveness debate that took place between the 2005 Paris Declaration and the 2008 Accra Plan of Action could be characterized as a process that elaborated key principles – including the importance of recipient country ownership and of providing assistance in line with the national strategies of the developing countries – amid calls for greater mutual accountability between donors and developing countries on related issues. It was also a process that marked a shift in terms of who was recognized to be the principal agents of development – a shift away from the previous emphasis on donor-nation assistance and toward the development activities undertaken by the recipient countries themselves. The background behind this shift had been the calls advanced by

civil society for the main role to be played by developing nations and especially by civil society actors within the developing nations; ultimately, this approach came to fruition through the Busan process, which clearly reflected the fact that discussions had shifted the emphasis away from seeking merely the effectiveness of assistance inputs toward seeking the effectiveness of development-related outcomes.

The "Busan Partnership" document specifically mentioned civil society organizations, newly emerging donors, and the private sector (including private corporations) as being important actors that should be pursuing collaborative efforts. It also called on developing countries to take the lead in establishing national-level outcome frameworks to guide collaborative activities involving diverse stakeholders, and advocated that all development actors participate actively, including in evaluating one another's efforts. It can be expected that there will be increasing calls for the establishment of frameworks and indicators for assessing the development effectiveness of the multi-stakeholder partnerships that are being formed in pursuit of recipient country-led development efforts.

In keeping with these international trends affecting development assistance, in this section we summarize information about representative frameworks for assessing development impact. The frameworks listed had either been mentioned during the sessions of the Study Group on Frameworks for Assessing Development Effectiveness (see Section 1, above) or had been documented through the research activities undertaken in parallel with the study group meetings.

In the future, we would like to undertake more in-depth analyses of such frameworks and indicators, with the goal of contributing to the establishment of simple and easy-to-use evaluation frameworks and indicators which are not only designed through incorporating the perspectives of civil society in the developing countries, but which the diverse range of development actors could also use as shared frameworks for action.

Frameworks & Indicators for Assessing Development Impact

Organization Name Name of Assessment Framework / Indicator	Summary
Global Reporting Initiative (GRI)	<p>These are guidelines that can serve as a reference for the preparation of corporate sustainability reports (reports concerning Corporate Social Responsibility activities, etc.).</p> <p>Prepared in cooperation with UNEP. Indicators focus on the "Triple Bottom Line" (economic, social and environmental factors).</p>
Global Impact Investing Network (GIIN) Impact Reporting and Investment Standards (ISIS)	<p>These are easy-to-use standardized indicators developed for use by companies and investors in order to promote impact investing.</p> <p>The names, definitions and measurement units for each indicator are listed, as in a dictionary, to allow for calculations of the impacts that products and services have with respect to the social, environmental and labor-related aspects of organizational, financial, and corporate activities. In contrast to many other methodologies and frameworks, these standards are designed to meet needs for consistency as well as for comparability of data. GIIN has been working to facilitate activities by organizations to put in place key indicators, including through a website that provides examples of cases in which the standards have been implemented in practice. As a result of outreach efforts undertaken by ANDE and others, these indicators are already being used by over 130 organizations.</p>
Business Call to Action (BCtA) Measuring Value of BCtA Initiative: A Result Reporting Framework	<p>This is a framework for use by corporations participating in the BCtA in assessing the development impact of their inclusive business activities. The framework was developed for three reasons: (1) to verify the contributions made by the BCtA; (2) to provide information regarding the creation of business models; and (3) to promote new initiatives by the private sector. The indicators focus on investment, employment creation, human resources development, enterprise development, income growth, access to financing and services, infrastructure, and sustainability. Prior to initiating projects, corporations use the application form to describe the development impacts they anticipate, and each year thereafter provide reports on the results they achieve using the results form.</p>
International Financial Corporation(IFC)	①Financial Performance②Economic Performance③Environmental and Social Performance④Private Sector IFC

Development Outcome Tracking System (DOTS)*	<p>This is a methodology for measuring the development impacts of IFC projects. The DOTS framework follows a four-part framework: (1) Financial Performance, (2) Economic Performance, (3) Environmental and Social Performance, and (4) Private Sector Development Impact. In measuring development outcomes, emphasis is placed on three frameworks, namely: (1) development impact, (2) IFC benefits, and (3) IFC's unique added value. Evaluations by the IFC are of two types: evaluations performed by the Independent Evaluation Group (IEG), an independent organization, and project-based assessments conducted by IFC staff responsible for projects. Indicators have been established for each sector; IFC conducts project evaluations based on the reports submitted by corporations. In addition to evaluations performed immediately upon project completion, projects are also tracked for several years throughout the project cycle.</p> <p>The IFC is currently in the process of developing simple methodologies for measuring the development impact of inclusive business activities.</p>
World Business Council on Sustainable Development (WBCSD) Measuring Impact Framework	<p>This is a framework for assessing the development impact of businesses. Companies determine the scope of the activities to be assessed, and then undertake their own analyses of direct and indirect impacts and development outcomes; the expectation is that these results will be used in connection with making management decisions.</p> <p>This is a process-focused framework having no specific indicators; however, assessments are conducted mainly with respect to corporate and environmental management; provision of infrastructure, goods and services; development of employment and technology; and local procurement and tax payments.</p> <p>This framework, launched in late 2008, was developed collaboratively by over 20 WBCSD member corporations and 15 representatives of stakeholder groups (research institutions, NGOs and governments). This is not a tool for reporting and benchmarking, but rather a methodology for conducting assessments that are tailored to corporate goals and to the specific conditions in different fields and different countries. Characteristics of this framework also include going beyond compliance, promoting corporate stakeholder engagement, preserving existing tools, and incorporating an emphasis on flexibility and externalities.</p>
Donor Committee for Enterprise Development	<p>This framework was developed by bilateral and multilateral donor agencies for analyzing the impact of private</p>

<p>(DCED) Standard for Measuring Results in Private Sector Development</p>	<p>sector development.</p> <p>It provides for a comprehensive approach to assessments; the methodology involves developing a results chain, formulating indicators for measuring changes, analyzing cause-and-effect relationships, considering wide-ranging changes (including in systems and markets), analyzing costs, and other steps.</p>
<p>Oxfam Poverty Footprint</p>	<p>This is a framework that allows corporations to evaluate the impact that their activities have on society. Contributions are assessed within five fields – (1) value chains; (2) macroeconomics; (3) systems and policies; (4) environmental activities; and (5) product development and marketing – as well as with respect to five critical factors: (1) diversity and gender; (2) health and well-being; (3) standard of living; (4) empowerment; and (5) stability and security. Assessments are conducted by an independent research team that specializes in development issues.</p> <p>This framework aims to provide opportunities for collaborative learning through a multi-stakeholder approach, and to ensure corporate accountability and transparency while contributing to the elimination of poverty through improved business models.</p>
<p>Acumen Fund BACO (Best Available Charitable Option)</p>	<p>This is an indicator developed to quantify the social impacts and return on investment resulting from impact investing and charity. The methodology, based on cost-benefit analysis methodologies, evaluates the "social return on investment (SROI)" by calculating a ratio for the benefits of a project (the monetary value of the outcomes resulting from the project) to the project's costs.</p> <p>With respect to SROI, "impact" is defined as being the monetary amount equivalent to the social value that is produced as a result of a project, as calculated with respect to an alternative scenario (that is, if the project in question had not been undertaken). While there are benefits to being able to provide a quantification of this sort, views differ regarding the validity of the assumptions that go into the calculations of monetary values.</p>

<p>UNDP Growing Inclusive Markets (GIM) Strategy Matrix</p>	<p>This is a strategic analysis framework that involves developing a matrix to capture market constraints and business strategies for responding to them. Market constraints are of the following five types:</p> <ol style="list-style-type: none"> 1. <i>Market information:</i> Corporations have insufficient information and do not understand the poor (their preferences, resources, technologies, etc.); 2. <i>Regulatory environment:</i> Corporations are impeded by the regulatory environment or non-enforcement of contracts (that is, companies or people may not be protected by the legal system, or the regulatory environment may not be business-friendly); 3. <i>Physical infrastructure:</i> Transportation infrastructure, water, electricity, sanitation or communication networks may be inadequate; 4. <i>Knowledge and skills:</i> The poor have insufficient knowledge and skills to participate in supply chains or to benefit from products and services; 5. <i>Access to financial services:</i> Credit, insurance, savings and banking services are inadequate. <p>Business may adopt the following types of strategies:</p> <ol style="list-style-type: none"> 1. Adapt products and services; 2. Invest in removing market constraints; 3. Leverage the strengths of the poor; 4. Combine resources and capabilities with others; 5. Engage in policy dialogue with government.
<p>DFID Business Innovation Facility (BIF) Baseline Form for new projects</p>	<p>This is a framework for use by corporations when they are considering undertaking inclusive business activities; it involves considering impacts separately in terms of the ways in which benefits are provided to the poor in their role as consumers, versus the benefits that they receive in their roles as producers and distributors. It provides for an assessment from financial, developmental and environmental points of view. Some indicators are provided for reference purposes, but companies can also develop their own.</p>

Chapter III Social Innovation to Support Private Sector Development

Section 1 – Social Innovation in Development: From the Seminar "Social Innovation as a Solution to Development Challenges"

The CSO Network organized a development seminar on the "Social Innovation" movement – that is, the efforts being undertaken to utilize market-oriented methods to solve societal challenges. This seminar aimed to explore the manner and extent to which social innovation is being incorporated into the field of international development, as well as to identify relevant issues and discuss prospects for the future. Ms. Kriss Deiglmeier, Executive Director of the Center for Social Innovation at the Stanford University Graduate School of Business, an organization that is playing a leading role in terms of education and research related to social innovation, was invited to provide the Keynote Speech.

The seminar began with welcoming remarks by Ms. Joy M. Sakurai, Second Secretary of the Public Affairs Section at the Embassy of the United States in Tokyo; the Embassy served as a sponsoring organization for the seminar. Ms. Deiglmeier then gave the Keynote Speech, entitled "Social Innovation: What It Takes to Succeed." She defined social innovation as being "a novel solution to a social problem that is more effective, efficient or sustainable than existing solutions." She noted that such innovative approaches could transform society if efforts can be pursued to overcome long-standing difficulties. She also noted that in order for innovative approaches to succeed in society, they must be able to "leverage" strengths of some kind; as examples, this has been seen in the business-oriented approach used in the case of emissions trading, and in the market access achieved in the case of fair trade.

Ms. Deiglmeier closed her presentation by highlighting how civil society has taken the lead in recent years in terms of fostering social innovation and pointed out the importance of policies and programs that promote cross-sectoral exchanges, given the fact that cross-sectoral collaborations can help promote social innovation.

Following Ms. Deiglmeier's speech, a number of case studies of social innovation to address the challenges of development were presented, by Mr. Ian Bretman of Fairtrade International; Ms. Satoko Kono, President of ARUN LLC.; and Ms. Atsuko Hattori, President of the Center for Active Community.

Mr. Bretman explained how the high level of consumer trust placed in fair trade certifications and labels has made possible a variety of achievements, including securing the rights of workers, protecting the environment, and promoting sustainable agriculture. He also introduced successful case studies involving the Democratic Republic of Congo and Afghanistan.

Ms. Kono introduced the activities undertaken by ARUN to provide investments in support of

social entrepreneurs in developing countries. Utilizing a participatory social investment platform, ARUN has been able to reduce poverty in developing countries through providing increased opportunities for employment and development of human resources; at the same time, a deeper understanding about developing countries has been created among people in Japan. Investments are currently being made in three companies in Cambodia active in the distribution and sales of organic agricultural products, the manufacture and sale of hair extensions, and human resources mobilization. In the future, ARUN plans to strengthen its activities related to social impact assessments as well as advocacy efforts aimed at expanding social investing.

Ms. Hattori discussed the importance of fostering the spirit of entrepreneurship, especially in light of the ways that helping young entrepreneurs to realize their dreams and maintaining people's motivations can help those affected by disasters to address the challenges of reconstruction. As an illustration of the importance of mobilizing and creating new uses for local resources, she introduced an innovative case study regarding the building of "*Gassho no Ie*" reconstruction housing, which was built using a local carpentry technique called *Kesen-Daiku*, employing workers who had lost their previous jobs, while utilizing the area's abundant domestic cedar timber resources and unused farmland.

In the question-and-answer session that followed, the importance of collaborations for promoting social innovation was emphasized, including the need for cooperative activities to allow the different participants to make the most of their unique expertise

The following is an overview of the seminar.

CSO Network Development Seminar: "Social Innovation as a Solution to Development Challenges"	
Date and Time	24 January 2012 (Tuesday) – 1:30-16:45
Venue	JICA Global Plaza
Convening Organization	CSO Network
Sponsoring Organization	Embassy of the United States
Cooperating Organization	The Asia Foundation
Program	

Welcoming Remarks	Ms. Joy M. Sakurai, Second Secretary, Public Affairs Section, Embassy of the United States in Tokyo
Keynote Speech	Ms. Kriss Deiglmeier, Executive Director of the Center for Social Innovation, Stanford Graduate School of Business "Social Innovation: What It Takes to Succeed"
Break	
Case Study Presentations	Mr. Ian Bretman, Vice-Chair of the International Board, Fairtrade Labeling Organizations International Ms. Satoko Kono, President, ARUN LLC Ms. Atsuko Hattori, President of the Center for Active Community (CAC) and Co-founder/Executive Director of the General Incorporated Association DSIA (Durable Social Innovation Alliance)
Moderator	Ms. Kaori Kuroda, Co-Director, CSO Network
Participants	A total of 58 participants (including the speakers and staff of convening organizations), including those affiliated with the Ministry of Foreign Affairs (1 participant), JICA (1), international organizations (1), the United States Embassy (5), academia (4), private-sector think tanks (3), corporations (21), NGOs and NPOs (6), and others (5).

Ms. Joy M. Sakurai, Second Secretary, Public Affairs Section, Embassy of the United States in Tokyo

Fostering innovation and entrepreneurship is one of the goals of the U.S. Embassy. However, we should keep in mind that social innovation and the entrepreneurial spirit are by no means new concepts; this can be seen in the case of Florence Nightingale, who created a school for nurses and went on to influence standards of hygiene worldwide. Nevertheless, social innovation has joined the mainstream in recent years in the United States, helping to change society in fundamental ways. These kinds of change appear to be taking place in Japan as well.

I want to thank Ms. Deiglmeier for sharing with us her expertise regarding the role that social innovation can play in social progress, and to thank all those participating in this seminar for joining us today to learn more about social innovation.

Keynote Speech

"Social Innovation: What It Takes to Succeed"

Ms. Kriss Deiglmeier, Executive Director of the Center for Social Innovation, Stanford

Graduate School of Business

The society we live in is undergoing constant change, and at the same time we are faced with major societal concerns, such as environmental issues. Change and social problems provide us not only with challenges but also with opportunities, and we believe that social innovation can show us new ways to solve societal challenges on a global scale. In my remarks today, I would like to address three key points:

- (1) The definition of social innovation: What is social innovation? How does it differ from social entrepreneurship?
- (2) What have we learned from studying social innovation?
- (3) Recommendations for fostering social innovation based on research and case studies.

Since the early 1990s, we have seen a rapid increase in the use of the prefix "social" attached to new concepts, such as "social entrepreneurs," "social businesses," "social capital," and now "social innovation." Among these, what has attracted the most attention over the past 20 years has been social entrepreneurship. A number of social entrepreneurs have become well known internationally, such as Muhammad Yunus (the founder of the Grameen Bank), Karen Tse (International Bridge to Justice), and Bill Drayton (Ashoka). J. Gregory Dees of the Center for the Advancement of Social Entrepreneurship has provided us with a good description of social entrepreneurs, explaining that they are agents of change who act boldly in pursuit of new opportunities, continually innovating while creating and sustaining social value.

Let us imagine a tripod. The first leg is comprised of social entrepreneurs; we can talk about the great people who have emerged in this field. The second leg is made up of social capital; as exemplified by impact investing, social capital has come to the forefront of our concerns, as it provides the wherewithal for societal transformation. The third leg of our stool is social enterprises; this is a field concerned with organizational theories, and the focus of attention is on business models. To take an example from microfinance, Mohammed Yunus is a social entrepreneur, the Grameen Bank is a social enterprise, and social capital is tied to both of these; what is able to hold all three of the legs of the stool together is social innovation. An important question for us is how to foster microfinance, with its power of social transformation.

We can define social innovation as "a novel solution to a social problem that is more effective, efficient, or sustainable than existing solutions and for which the value created accrues primarily to society as a whole."

The criteria for innovation are: (1) novelty – while an activity may not be original, it is new to the

particular users involved; and (2) improvement – it should be more effective or efficient. To these criteria we can add that it is (3) sustainable; (4) just; and (5) creates public value (makes contributions to society). For a number of reasons, we think that we should distinguish social innovation from normal innovation; based on these criteria, for instance, Google would not be a social innovation. Examples of social innovation would include socially responsible investing, microfinance, and rainwater recycling; examples of normal innovation would include the internet and hydraulic fracturing. The point to emphasize is that the benefits to society are not the thing that is important to the businesses.

At Stanford, when we research social innovation, we analyze processes and organizations using a concept called the "innovation continuum." Along this continuum we can find the stages of (1) problem definition; (2) the generation of ideas for resolving the problem; (3) piloting and prototyping; and (4) diffusion and scaling. Using a case study, let us examine the "innovation continuum" framework in action.

This case study concerns emissions trading in the United States. Emissions trading is a system using a market mechanism to achieve environmental protection; this approach has been very successful in the United States for the control of SO₂ emissions, contributing to the reduction of acid rain.

(1) Problem Definition: Protests against environmental pollution began in the 1960s. Although the Environmental Protection Agency (EPA) was established in 1970, governmental direction was uneven in terms of moving from the discovery of problems toward policies to address them. Industry was concerned about costs, and NGO acted as watchdogs.

(2) Idea Generation: From 1970-1975, "Bubble" and "Netting" policies were created, and in 1976 legislation was enacted concerning the cost-effectiveness of policies under President Carter. This was a period of idea generation, but there was not much action, due to a lack of trust and collaboration.

(3) Piloting and Prototyping: Led by Bill Drayton, the EPA adopted a market-oriented approach, launching collaboration between the government and industry. NGOs continued their oppositional stance.

(4) Diffusion: In 1990, a nationwide market for emissions trading was proposed; it was announced that adopting this approach could reduce costs on a national basis from an estimated \$3-24 billion to a mere \$800 million. In 1995, the proposal was agreed to by all of the states across the country.

As illustrated by this case study, there are no shortcuts that can lead to social innovation overnight.



Although the concept of emissions trading had been developed in 1972, some 23 years passed before the idea was actually adopted as a solution. Innovations can face difficulties at each juncture along the innovation continuum, and different approaches are required to overcome them, whether they be novel technologies, resources and partnerships.

The idea of fair trade began as a program of the Church of the Brethren in 1949; the idea of charter schools was born in 1974, but the first such school was only opened in 1991. The Grameen Bank was founded in 1976, but it took 20 years for microfinance to spread.

For a social innovation to move ahead, something must play the decisive role of serving as "leverage." As the Pareto Principle indicates, 80% of results are due to 20% of the effort involved; in the field of social innovation, the most important thing is to find what can serve as the "leverage" that will produce that 80% of results. In terms of emissions trading, it was the efficiency it brought to businesses, and in the case of fair trade it was the factor of market penetration.

Over the past 30 years, the process of fostering social innovation has been one of breaking down the walls between different sectors. Previously, the majority of philanthropy was accounted for by government programs, but more recently cooperation among industry, non-profit organizations and government has been greatly emphasized. There have been major changes in terms of the funds flowing to developing countries. In the 1970s, 70 percent of funds provided to developing countries came from governments, but by 2003 the private sector had come to account for some 80% of the total.

There has also been marked evolution in the citizen sector. For example, there may have been only one independent environmental organization in Indonesia 20 years ago, but now there are reportedly more than 2,000 such organizations. Civil society organizations in Brazil also increased by some 60 percent during the 1990s.

This emergence of civil society has also triggered cross-sectoral collaboration for social innovation. For example, in the case of discussions concerning climate change, the days are over when global corporations such as Chevron could discuss issues without considering the role of the U.S. EPA, the Brazilian Ministry of the Environment, and non-profit organizations such as the World Wildlife Fund working to save the Amazon rainforest. Given the importance of mutually beneficial cross-sectoral activities, we should consider promoting policies and practical actions that can facilitate the free exchange of ideas, values, capital and talent among different sectors.

Question and Answer Session

Q: The Rio+20 United Nations Conference on Sustainable Development will be held this June in Rio de Janeiro, and NGOs active on environment and development are planning parallel meetings. What should they be aiming for in order to create a sustainable society?

A: First of all, Japanese society and the people of Japan should work to help create a sustainable

world. It is important to begin even by taking minor actions, and to increasingly bring along supporters. Build networks with those that are working for similar aims. It is also vital to build collaborative relationships that involve different sectors. Your ultimate goal should be to set the standard for others to achieve.

Case Studies

"Fair Trade as Social Innovation – Connecting Producers and Consumers as Social and Economic Actors"

Mr. Ian Bretman, Vice-Chair of the International Board, Fairtrade Labeling Organizations International:

At the Fairtrade Labeling Organizations International (also known as Fairtrade International or FLO), our vision is for the attainment of a world in which "everyone, through their work, can maintain a decent and dignified livelihood and develop their full potential." To achieve this vision, our mission is to link disadvantaged producers with consumers and to transform trading structures to be more equitable, thereby allowing producers to overcome poverty and improve their lives through their own efforts.

With this background, FLO is not just a certification body; it also serves as a facilitator of a movement. We believe that entrepreneurs are valuable – even if they don't use the prefix "social" – and we want to create a society that shares this view.

The producers of Fairtrade certified products are organized into three networks; items are produced in some 60 countries and sold in more than 70 countries. Organizations that conduct certifications have spread to 26 countries. There are more than 27,000 Fairtrade product lines, covering a wide range of products, from coffee and wine to cotton. The market for Fairtrade certified products continues to grow each year, reaching an estimated retail market of some 4.36 billion euros as of 2010.

The Fairtrade mark is the world's most widely recognized ethical label; our standards must be met not only by producers but also by those who import and sell Fairtrade items. In surveys, 57% of consumers report that they have seen the Fairtrade label, and 90% of consumers say that they trust it. The Fairtrade standards guarantee minimum price levels that protect the interests of producers, and require long-term commitments on the part of buyers, leading to benefits that include securing worker rights, protecting local environments, and making sustainable agriculture possible.

It has been important for Fairtrade to grow its network and become a social movement. Worldwide, over one thousand "Fairtrade Towns," including London and San Francisco, have been recognized in 24 countries. Governments and corporations have joined the movement, as have others, including schools and the media. In the business sector, Fairtrade certified products are in the process of becoming a global brand; in Europe, Starbucks Corporation is marketing 100% Fairtrade

espresso. Companies such as Nestlé and Ben & Jerry's are also selling Fairtrade certified products.

Examples of Fairtrade's efforts include coffee bean production in the war-torn Democratic Republic of the Congo (DRC) and raisins in Afghanistan. In the conflict-ridden eastern DRC region near Lake Kivu, coffee previously could only be sold by smuggling it into Rwanda – but through a collaborative effort involving major UK supermarkets, NGOs, DFID and others, Fairtrade was able to provide technical support and assistance with marketing and sales, and was successful in bringing this product to market. In Afghanistan, long years of conflict had cut off access to markets and the technical assistance needed to improve productivity; Fairtrade projects were able to provide access to cellular telephone services, allowing producers to obtain technical support and the latest market information, with the result that high-quality raisins can now be traded at good prices.

In the future, it will be important not only to expand markets for individual products, but also to diversify product lines and increase the added value of products.

"Empowering Developing Countries and Japan through Social Investment"

Ms. Satoko Kono, President, ARUN LLC

ARUN LLC is an organization that was created to raise capital from Japanese individuals and corporations and to seek out and invest in social entrepreneurs in developing countries that are working for economic development and the solution to social problems. ARUN aims to serve as a participatory social investment platform that supports communication between investors and investees. By serving as such a social platform, we can help to reduce poverty in developing countries through providing increased opportunities for employment and the development of human resources, while at the same time deepening understanding about developing countries among people in Japan.

ARUN's investments target medium-sized businesses. The reality is that there is a lack of institutions providing financing for medium-sized businesses, given the fact that microfinance organizations target small businesses run by individuals and families, while commercial finance institutions target large-scale businesses. Commercial financing institutions easily tend to consider the funding of medium-sized enterprises to be high in risk, given the related maintenance costs, along with the fact that the financial statements of such enterprises may not be in order, and they may not be able to provide collateral. Microfinance agencies may also avoid medium-sized businesses, seeing the funding needs to be too great and required investment horizons as being too long. Given this situation, the investments provided by ARUN are targeted toward medium-sized enterprises.

ARUN currently invests in three social enterprises in Cambodia: Sahakreas CEDAC (SKC), Arjuni International, and Perfexcom. CEDAC, which is engaged in the distribution and sale of

organic agricultural products, purchases organic products from farmer organizations at fair prices, bringing their products to market while returning a portion of the profits to farmer organizations to support self-reliant agricultural development activities. Arjuni International is involved in the manufacture and sale of hair extensions. Perfexcom trains students from rural areas in computer skills and the English language in order to provide them with opportunities to attend school and participate in human resources staffing programs.

ARUN is working to develop a framework for enhanced communications among entrepreneurs and investors, and to develop indicators for assessing the social impact of projects by investees. Monitoring of social outcomes is being conducted in order to assess investees' circumstances and to share information with investors and promote dialogue with stakeholders, as well as to inform efforts to improve project operations.

Innovations by ARUN can be found in its investments to promote the self-sufficiency of local people through projects having substantial social impact; the contributions being made to the local economy through investments in medium-sized businesses; and in the creation of a socially oriented financing system in Japan. Challenges that remain for the future include the development of assessments and metrics to convey the social impacts of activities, in addition to education and outreach to promote social investing. To meet these challenges, ARUN is engaged in a variety of activities, including organizing a social business competition, conducting research through the ARUN LAB, and conducting advocacy and outreach.

"Reconstruction and Social Innovation"

**Ms. Atsuko Hattori, President of the Center for Active Community (CAC) and
Co-founder/Executive Director of the General Incorporated Association DSIA (Durable Social
Innovation Alliance)**

More than 330,000 people have been forced to leave their homes in the wake of the Great East Japan Earthquake. Communities need to be rebuilt. What is more, those localities now confronting depopulation and the increasing age of their residents also need to come to a consensus regarding their goals as a community. It is essential to create new employment opportunities to make up for lost jobs, and a key challenge will be how to best draw out the leadership talents of young people. How might the concept of social innovation help us to solve this daunting array of social and economic challenges?

There are many fields through which people and organizations having an entrepreneurial spirit can contribute to social innovation – including technology, design, public policy, and many others. The role that such actors can play is in articulating new kinds of value and in encouraging social change. When viewed in the context of disaster reconstruction, the challenge becomes how best to help

young entrepreneurs to realize their dreams, as well as how to maintain the motivation of the people in affected communities. One key to solving complex challenges – such as those posed in terms of rebuilding housing or revitalizing shopping districts and businesses, or in meeting community needs for care, education or energy – can be found in reimagining uses for the limited resources of a region.

One example that can be given of this kind of problem-solving effort is the rebuilding of housing using local resources and regional techniques of craftsmanship. One disaster affected area has been building reconstruction housing so that it can be used even following the need for temporary housing; this has been done utilizing a local carpentry technique called *Kesen-Daiku*, employing workers who had lost their previous jobs, while utilizing the area's abundant domestic cedar timber resources and unused farmland.

We will need the efforts of a wide variety of stakeholders who can meet the needs of both society and business; this can be facilitated by fostering entrepreneurship and by bringing together resources, including financial resources as well as volunteers and other human resources. To develop new efforts that support young leaders, we will also need to develop novel collaborations that engage both the business and social sectors and which bridge urban and rural areas.

Question & Answer Session / Discussion

- Through partnerships, it is possible to build a shared vocabulary. It is vital to clarify the different roles and responsibilities of the various partners – and we should be aware that businesses will not succeed just by acting like NGOs, or vice versa. Another key is to have realistic time frames.
- Reconstruction activities are conducive to collaborations. A growing number of people working in companies want to help out.
- Universities can play key roles through researching case studies, training practitioners, and fostering social innovation.
- The younger generation is more interested in social business activities than previous generations, and they are finding new opportunities, thanks to the development of the internet. How they make the most of such opportunities will be the key question.



<Appendix>

**CSO Network Symposium:
"Exploring Private Development Assistance (PDA) –
Assessing the Challenges and Scale of PDA"**

Welcoming Remarks

Mr. Akio Nomura

Executive Director, Japan Foundation Center for Global Partnership

In the United States, there are more than 1.5 million nonprofit organizations, and the vitality of civil society, and its diversity of actors, continues to grow. It became clear during reconstruction activities following the Great East Japan Earthquake that such efforts are not possible without the involvement and assistance provided by the private sector, and we should work to strengthen such activities. Against this backdrop, this fiscal year the Japan Foundation Center for Global Partnership has been funding the activities by the CSO Network related to private sector development, within which today's symposium is one important part. I hope that today's symposium can facilitate discussions between the private sector and governments, and can provide us all with insights into collaborative efforts that can help address society's challenges.



"Measuring Local Giving - Challenges and Benefits"

Ms. Yulya Spantchak

Research Fellow, Global Prosperity Center, Hudson Institute

Thank you for inviting me to such a wonderful event. Today, I would like to talk about the research that we at the Hudson Institute's Global Prosperity Center have been conducting into the role of the private sector in the international development field. This research is very important in order to properly understand the emerging trends in development assistance, and we are pleased that this type of research has been initiated in Japan this fiscal year. In my talk, I would like to provide an overview of the changes that are occurring in the international development financing landscape, and then explain the results of the research we have done to assess these changes, and finally to indicate that policy-related implications that can be drawn from these findings.

Prior to the 1990s, official funding was larger in scale than private financial flows to developing nations; however, this relationship reversed starting with the 1990s, and during this time developing countries experienced a variety of changes. In particular, developing countries witnessed expanded knowledge and demand that was facilitated by technological innovation, and open markets and open societies spread as a result of economic globalization. Brazil, South Africa, China and India and other newly emerging economies grew rapidly while foreign remittances increased, accompanied by the growth of cross-sectoral cooperation as exemplified by public-private partnerships. Taking a cue from private capital flows, demands increased for greater accountability and for development activities to demonstrate tangible outcomes.

The Hudson Institute is the only organization in the world that is working to measure development assistance flows provided by the private sector. The impetus for our efforts was the fact that the United States has received international criticism over many years because of the fact that its ODA funding, like Japan's, remains far below the target level that has been set, 0.7% of Gross National Income (GNI). We realized that such figures did not consider the substantial scale of ongoing Private Development Assistance, and recognized the need to properly assess the contributions being made to development through funding channels other than ODA.

We estimated that private financial flows from OECD nations to developing countries – comprised of (1) private investment, (2) foreign remittances, and (3) philanthropy – totaled \$455 billion in 2009, a level that was about four times the level of ODA (\$120 billion), which means that 80% of OECD country economic engagement was in the form of private financial flows.

Within overall private financial flows, the private investment component is highly volatile, being easily influenced by economic conditions. Foreign remittances tend to not be impacted by the economy, and have been on a steady upward trend since the 1990s; for the poor, such remittances help to cushion the effects of economic shocks. Philanthropy was estimated to total \$53 billion for OECD countries as a whole; previous figures tended to underestimate the scale of this funding. Beginning with the United States, the Center for Global Philanthropy has conducted research regarding the Private Development Assistance flows from 13 of the 23 OECD countries; we have also been working to improve the data provided to the OECD, which has tended to underreport private giving numbers. However, 10 countries remain for which data remain incomplete, including Japan.

The United States ranks 19th among DAC countries in terms of ODA funding as a percentage of

GNI, but when philanthropy and foreign remittances are included, the U.S. rises to 8th place. The data for Japan do not yet reflect the figures being compiled by the CSO Network, but Japan's rank could increase if such data were to be incorporated into future reports.

In comparison to ODA funding by the United States of \$28.8 billion, the level of U.S. philanthropy was \$37.5 billion in 2009, an amount that was greater than that of ODA, and which accounted for 17% of overall U.S. economic engagement with developing countries. Within the total flows for philanthropy, foundations⁴ provided \$4.6 billion (half of which was provided by the Gates Foundation); corporations provided \$8.9 billion (the majority of which was provided by pharmaceutical companies); Private and Voluntary Organizations (PVOs, which includes voluntary associations and NGOs)⁵ provided \$12 billion; volunteerism accounted for \$3 billion (when contributions of volunteering time are converted to monetary values); universities and colleges provided \$1.8 billion (in the form of support for students coming to the United States to study); and religious organizations⁶ provided \$7.2 billion. The total figure of \$37.5 billion exceeded expectations, and was received with great surprise by those in the United States. The figure reported to the DAC had been underreported by some \$21 billion.

In assessing the differences with ODA, it is important to examine the regional and sectoral breakdown of U.S. philanthropy. The breakdown by region was: Sub-Saharan Africa, 37%; Latin America and the Caribbean, 30%; Asia and the Pacific, 22%; Eastern Europe and Central Asia, 7%; and North Africa and the Middle East at 4%. This is in contrast to U.S. ODA funding, which is weighted heavily toward North Africa and the Middle East. The breakdown of philanthropy by sector was: health, 32%; disaster relief, 28%; education, 14%; economic development, 11%; "other" at 10%; and lastly, 3% for democracy and governance, a low level that is most likely due to the fact that private sector engagement is difficult in this field.

The level of private philanthropy provided by Japan is low, with an amount of approximately \$600 million being reported to the DAC; unlike in the case of the United States, Japan's ratio of funding to GNI would likely not rise significantly if private philanthropy funding was



⁴ Regarding foundations, we utilized the data compiled by the Foundation Center (<http://foundationcenter.org/>).

⁵ Because data regarding so-called nonprofit organizations is reported to the Internal Revenue Service (IRS), these official statistics were used.

⁶ Because data regarding religious organizations are not reported to the IRS, amounts are difficult to calculate, so we derived our own estimates.

added to the amounts for ODA. While Japanese corporations are active in philanthropy, it is difficult to measure, and is not included in DAC statistics. However, Japan is second only to the United States in terms of private investment in developing countries. Foreign remittances from Japan amounted to \$ 7.2 billion.

In terms of the development impact of private philanthropy, the era in which the government-to-government funding model was dominant has ended. Private funding can flow directly to the people and organizations on the ground in developing countries, and it helps to promote the involvement of recipients in development. It can also help to reduce corruption and rent-seeking behavior. Public-private partnerships are important in order to achieve the Millennium Development Goals (MDGs), as seen in Japan in the case of the contributions made to tuberculosis treatment by the Otsuka Pharmaceutical Corporation. In terms of foreign remittances, "diaspora bonds" designed to finance economic development in the developing countries have emerged on the scene in recent years, and are beginning to have an impact. Private funding can in fact be more efficient, because it can bypass foreign aid subcontractors, and because the private sector can be better at economic development activities than governments are. There is also greater transparency regarding private funding. However, the challenges posed by such funding include the fragmentation (decentralization) of assistance.

A number of shifts are occurring with respect to philanthropy; for instance, we are seeing a shift from the one-way flow of aid to more of a reciprocal model of collaboration. Private philanthropy is being supplemented by social investment programs. Impact investing and socially responsible investment have also made an appearance, through funds managed by traditional investment companies that seek not just the usual financial returns on investment but also social benefits and outcomes. It will be important to gain deep insights into these shifts, in order to understand the impacts that they will have on international development activities in the years to come.

"Assessing the Role and Scale of Private Development Assistance: Funding from Japan to the Developing Countries"

Mr. Naoto Yamauchi, Professor, Osaka School of International Public Policy, Osaka University

With the support of the Japan Foundation Center for Global Partnership, the CSO Network and the Center for Nonprofit Research and Information of Osaka University have been jointly conducting a project to assess the scale of Japan's Public Development Assistance (PDA). The Hudson Institute uses the term "philanthropy," and this basically has the same meaning as the term "PDA," which we

are using in order to distinguish such funding flows from ODA.

The current administration under the Democratic Party of Japan has been advancing the concept of a "New Public Commons;" our research can be seen as an attempt to grasp the scale of Japan's involvement with the "Global Commons," which is the international aspect of this. We hope that our research can help the public and private sectors to better understand their differing roles, and that it will spur both collaborative and competitive activities in the field of international development.

Data regarding financial flows from NGOs (called "Grants by Private and Voluntary Agencies"), based on statistics compiled by the Ministry of Finance, are reported by Japan to the OECD; however, these figures do not include the value of social contribution activities that are conducted by religious organizations, corporations and other types of organizations. However, funding provided by the NGO sector (which the figures for "Grants by Private and Voluntary Agencies" reflect) has itself been on the upswing, increasing from ¥24.9 billion in 2000 to ¥60.7 billion in 2010.

Under the methodology used by the Hudson Institute, total funding for philanthropy is comprised of funding from six sectors: (1) foundations; (2) private and voluntary organizations (NGOs and NPOs); (3) corporations; (4) volunteerism; (5) universities and colleges (support for international students); and (6) religious organizations. Our research regarding PDA funding from Japan does not cover these last two categories (universities/colleges and religious organizations), as there are no sources of data concerning financial flows from these categories of organizations.

Our calculation for foundations, with total funding of between ¥5.5 billion and ¥6.6 billion, was based on data from the 2009 "Foundation Database."⁷ The calculation for Private and Voluntary Organizations (NGOs/NPOs), with total funding of between ¥41.3 billion and ¥44.3 billion, was based on data from the "International Cooperation NGO Directory" published by the Japan NGO Center for International Cooperation (JANIC).⁸ Calculations regarding corporations, with total funding of ¥4.4 billion, made use of the "Survey of The Status of



⁷ This calculation excluded the proportion of private funding flows that were for regions other than the developing nations, as well as funding that was accounted for by public subsidies and contracts.

⁸ In addition to the 403 organizations listed in the JANIC NGO directory, figures for the Japan Committee for UNICEF and the Japanese Red Cross, large-scale organizations that had not been listed in the directory, were also added. Additionally, public subsidies, such as those provided through the Japan Platform, were subtracted from the total.

Social Contribution Activities" prepared by the Keidanren 1% Club Committee on Corporate Philanthropy. Volunteerism, with a total contribution valued at ¥260.5 billion, was calculated based on the monetary value of volunteer time for the fields of international cooperation and exchange as found in the "Giving Japan 2010" report.⁹ Adding together these amounts, we arrived at a total for Japan's PDA flows of ¥315.8 billion (\$3.38 billion); while this result was higher than previous estimates, it did not exceed the level for ODA, as had been the case with the United States.

In order to be able to undertake comparisons with ODA funding in the future, it will be necessary to clarify the regional and sectoral breakdowns for Japan's PDA. Additionally, because the balance sheets of many NGOs and foundations do not allow for a distinction to be made between public and private sources of funding, we may need to advocate that reporting formats be revised, so as to allow for the calculation of more precise figures.

"An Overview of the MDGs Public-Private Partnership Network"

Mr. Naoto Nakahara, Director, International Cooperation Bureau, Ministry of Foreign Affairs

The Status of Efforts Related to the Millennium Development Goals (MDGs)

The sectors within the Millennium Development Goals (MDGs) for which efforts have been falling behind are the education and health sectors. While there have been advances in promoting universal access to primary education, the targets within the education sector are not being met, and it is expected that many countries will not meet their health-related targets. In particular, the lack of progress has been particularly pronounced with respect to reducing child mortality (MDG 4) and improving maternal health. At the 2010 MDGs Summit, Japan and other leading developed countries announced that they would contribute actively to international development; Japan committed to provide \$5 billion in funding for the education sector and \$3.5 billion for the health sector.

Financial Flows to Developing Countries

In recent years, private funding has come to account for an growing share of financial flows to developing countries, and such private financing will play an essential role within efforts to achieve the MDGs; given that the role of private funding will be so necessary, those of us in the government understand that we need to gain an accurate picture of the contributions made by the private sector.

⁹ The value of volunteering was calculated as the total number of hours of volunteer time multiplied by the hourly wage paid for comparable work (¥2,070). Because it is not possible to disaggregate the international cooperation volunteering activities which are relevant only to the developing countries, the total value for this sector should be regarded as a maximum value.

We also feel the need to explore new frameworks for international cooperation, given the breakdown of the traditional dichotomy between developed and developing nations, and the advent of newly emerging economies and emerging donors. What is more, the increased flows of private funding are a reflection of the fact that many developing countries have arrived at a stage in which they can now finance economic growth and development activities themselves; development cooperation efforts must also take account of this new reality.

The Launch of the MDGs Public-Private Partnership Network

Previously, there had been a number of difficulties related to collaborations involving the public and private sectors – including the fact that corporations interested in international cooperation did not have partners or networks to work with; it was difficult to promote areas of common interest; the different sectors were separately conducting similar types of projects; it was difficult to gain an accurate grasp of financial flows to developing countries; and frameworks were not in place to publicize Japan's contributions. To promote public-private collaboration, the Ministry of Foreign Affairs (MOFA) launched the MDGs Public-Private Partnership Network; through this effort, MOFA works to utilize information available to overseas diplomats, catalyzing local projects by businesses, and matching business activities with the needs of local counterparts. Through this initiative, we hope not only to stimulate private sector efforts to help attain the MDGs, but also to promote awareness, nationally and worldwide, concerning the concrete results that are being achieved. We will work to build awareness within Japan regarding the international CSR activities being undertaken by companies, and to raise the image of Japanese corporations within international society.

The activities under this effort include: (1) improving dissemination of information regarding development-related needs in developing countries; (2) supporting networking and matchmaking activities for projects in support of international development; and (3) gaining an accurate picture of the contributions that are being made internationally by the private sector, as well as to promote public outreach.

Supporting Japanese Corporations through the MDGs Public-Private Partnership Network

This initiative basically began in response to inquiries and requests for information from companies. Currently, there are some 30 to 40 different discussions moving forward, most of which were initiated by large companies. Eighty percent of the activities involve the health sector, with the



education sector accounting for the remaining 20%. Sixty percent of the activities involve Africa, and 40% involve Asia. In particular, many of the consultations seek advice regarding which regions and sectors would be most appropriate for CSR activities (with the desire to support governmental priorities, to the extent possible), as well as how to identify appropriate contacts in order to proceed. Small and medium-sized businesses are also looking for contacts to work with as they expand into new regions. Examples of the activities that are being undertaken include Sumitomo Chemical Corporation's Olyset Net, which protects people from malaria. We helped to arrange participation by the Japanese ambassador and governmental officials in a press conference held to announce the launch of retail sales of the Olyset Net in Kenya.

A Recent Example: Collaboration Involving the Gates Foundation and the Government of Pakistan

This is a collaborative program in support of a polio eradication campaign being undertaken by the Gates Foundation, made possible as a result of loan assistance provided by Japan to the government of Pakistan. Under this collaboration, the government of Pakistan conducted a program to distribute vaccines, supported by a loan from Japan – and if the program received certification from WHO and UNICEF, the Gates Foundation pledged to repay the loan. The advantage to the Gates Foundation was that gaining the involvement of these partners (Japan, WHO, UNICEF and the government of Pakistan) brought greater reliability to the program and its financing; the government of Pakistan benefitted by being able to eradicate polio without having to pay back the funds borrowed from Japan; and the advantage for Japan was that a one-time loan could have a greater contribution in terms of addressing an important development concern. This program can serve as an example of a novel approach to collaboration, one that provides benefits to all three parties involved.

Comments

Mr. Hiroshi Sato, Director-General, Research Planning Department, Institute of the Developing Economies

(1) On the Significance of Assessing the Scale of Private Development Assistance (PDA)

I would question the value of assessing the scale of PDA in numerical terms. While the government would like to demonstrate that Japan is making large-scale contributions, and researchers benefit from having precise figures, we still need to ask: what is the meaning and impact of PDA funding for the people in developing countries and for the people of Japan?

(2) What to Do about Japan's Loan Aid, Which Has Been Reduced?

Unlike other OECD countries, ODA from Japan has been "request-based." In the past, Japan was criticized for focusing on loan assistance, and worked to reduce the weight given to

yen-loan aid within development cooperation activities; recently, however, "businesslike" funding flows are being reassessed in a positive light. What are we to think now, given these circumstances and the changes in perspective?

(3) On the Representativeness of Recipient Needs

While some have pointed out that the development of the internet is allowing for a greater understanding of local needs, those in the developing countries that have access to the internet tend to be the wealthy; can the needs of the poor truly be reflected?

(4) On Public-Private Partnerships (and the Significance of Supporting Corporations)

In recent years, criticism of official assistance has become deeply rooted, with authors such as William Easterly and Dambisa Moyo advocating that development assistance be made more efficient through employing more business sense. At same time, the business sector has come to emphasize a certain level of social concerns, through CSR and other activities. Nonetheless, private corporations undertake the activities that they do in order to make a profit – and the reality is that there is resistance in Japan to the notion of using tax money, including ODA, to support particular private companies. What efforts should the Ministry of Foreign Affairs be making internationally in support of public policies?

(5) The Significance of the Health Sector Receiving 80% of PDA

It has been reported that much of the support provided by U.S. companies is directed to the health sector; why is this the case? Perhaps funding flows into those sectors where results are easy to see. If this is true, this would also mean that other kinds of sectors need to be supported through public financing.

Extra – Regarding Japan's Culture of Giving

It has been said that Japan does not have a "culture of giving" – but the "Bell Mark" movement has existed for a long time, and this could be considered to be the starting point of Japan's culture of giving. Japan became the first country in the world to introduce this kind of system, which should be better appreciated; still, it would be useful to research how this has influenced Japan's culture of giving (and its relationship with cause-related marketing, etc.).

Regarding Investments

It is not only economic return which is important but also social return on investment. It should be possible to improve development effectiveness through investments based on social value.

Question & Answer Session / Discussion

Ms. Yulya Spantchak:

The act of measuring improves our awareness, and increased private funding can be expected to lead to greater impact. Advances in information technology can lead to improved understanding of

needs, and can facilitate collaboration with local organizations. While truly representative needs may not yet be grasped, we should be able to provide more "bottom-up" assistance.

The dominance of the health sector within U.S. funding is due in part to the spread of the "results-based" perspective, along with the fact that such activities can easily be explained to the tax authorities and others.

Mr. Naoto Yamauchi:

In the case of assistance provided by Japan, the ratio of ODA to PDA is 10:1, meaning that the government overwhelmingly dominates, while the private sector plays a marginal role. Nevertheless, our research has clarified that the scale of private funding has reached several hundred billion yen; we should therefore consider public and private funding as being part of one whole picture together. Someone needs to be able to provide a full picture of the financing landscape, and such information will be indispensable for planning purposes. The small scale of Japanese charitable contributions may have less to do with issues related to tax deductibility, and more to do with a lack of sufficient outreach (to the general public) on the part of NGOs and foundations.

Fair trade is not included in the Hudson Institute's statistics – but in light of the ways that fair trade allows the private sector to make a contribution, perhaps it should be included. I would like to consider this for inclusion in the Japan-related statistics.

Ms. Kaori Kuroda (Executive Director, CSO Network):

The debate regarding development impact and aid effectiveness served as the starting point for efforts to measure the scale of Private Development Assistance. If we cannot understand the scale of such funding, we will not begin to grasp the impact that it is having.

Mr. Naoto Nakahara:

We can have concrete discussions about collaboration with ODA once we gain an understanding of the breakdown of PDA funding in terms of sectors, regions and countries; such data will also be valuable in the context of the "post-MDGs" debate. Regarding collaboration with companies, as seen in the discussions through the Tokyo International Conference on African Development (TICAD), discussions are now focusing on how, not whether, to link assistance to private investment and trade. PDA is not something that can substitute for ODA; what is important is to find the best mix.

Mr. Takumo Yamada (Oxfam Japan):

Governmental and private sector roles must not be



seen as interchangeable, and private sector funding levels should not be counted toward meeting governmental financial pledges. Corporate investments do not necessarily contribute to development; their impact can also be negative. Also, while foreign remittances can provide an income source for the poor, I do not think we can say that they contribute to nation-building in developing countries. We also cannot say that the involvement of the private sector always results in efficiency (there are some cases in which it has actually lowered the quality of medical services). We should consider how policies can be made consistent with trade and investment. I think that the Global Fund can serve as a good example of public-private partnerships in action.

Mr. Kiyotaka Takahashi (Japan International Volunteer Center, JVC):

We need to make sure that information technology does not give us a picture of recipient needs that is skewed toward a particular class. With respect to public-private partnerships, it is important that we find ways to reduce the risks faced by people in developing countries as much as possible, and so we must not neglect the issue of risk management in relation to corporate activities and products (such as the Olyset Net). In terms of statistics, it would be good if we could have data that is compiled from the perspective of the recipient countries, and not only data on financial flows from the perspective of the DAC member countries. I think it will also be important to understand the roles played by corporations, philanthropy, etc., within the developing countries themselves.



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