

Development Assistance for Inclusive Growth: A Field for Japan-U.S. Cooperation?

Akiko Imai¹

This paper considers the feasibility of active cooperation between Japan and the United States in the provision of development assistance in Asia, with a focus on economic inclusiveness. It argues that addressing social issues (such as women's empowerment) based on a horizontal division of labor between the two countries—and with the involvement of the business community and civil sector in both countries—could advance regional human dignity and quality growth. At the same time, such a broad-based, cross-sector approach would strengthen the Japan-U.S. alliance and enhance their soft power projection in Asia.

The Importance of Inclusiveness

Rapid economic growth in the emerging economies of the Asia-Pacific has boosted both production power and purchasing power, leading to the emergence of a huge middle class in the region. However, improvements in countries' public administrations and markets have tended to neglect the needs of their sizable low-income populations. Low-income populations are additionally burdened by the "poverty penalty," a term which refers to the paradoxical finding that the poor tend to pay more than their richer compatriots for the basics of everyday life. As a result, an increasing number of people are being left behind, unable to enjoy the benefits of growth.

A similar phenomenon has been seen in the United States, Japan, and other advanced economies as they have grown over the course of the past century. In India, China, and elsewhere in Asia, a region which accounts for half of the world's population, the number of disadvantaged people is substantial. In today's rapidly globalizing economy, the engines of growth are shifting at a dizzying pace and there is little hope that conditions will improve through the trickle-down effect that may have operated in the past. Achieving inclusive growth is an issue that needs to be addressed with deliberate action.

According to the Asian Development Bank (ADB), after years of rapid growth, many Asian countries have advanced to middle-income status, but the transition to higher income brackets can be a slow process. As the ADB notes, "More than 15 countries globally have been 'middle income' for at least the past 50 years, including three in Asia—Malaysia, the Philippines, and Thailand. . . . China became an upper-middle-income country in 2010." Based on its research, the ADB recommends that middle-income economies focus on "upgrading and diversifying their industrial bases" to avoid the middle-income trap.²

¹ Akiko Imai is an Executive Director of the Tokyo Foundation, where she also serves as a Research Fellow and Director of Public Communications. In 2015, she was a Visiting Scholar with the Japan and Simon Chairs at the Center for Strategic and International Studies in Washington, D.C.

² "Middle-income Trap Holds Back Asia's Potential New Tiger Economies: 12 Things to Know," Asian Development Bank, March 14, 2014, <http://www.adb.org/features/middle-income-trap-holds-back-asias-potential-new-tiger-economies-12-things-know>. According to ADB President Takehiko Nakao, the middle-income trap may affect countries that have grown rapidly and are "no longer benefiting from low wage/low cost production but still cannot compete against countries producing higher value-added products." Takehiko Nakao, "Statement

Inclusiveness is not just a concern for individual countries: its scope transcends national borders and its root causes must be addressed by the international community as a whole. A chronic situation in which human dignity is slighted and basic human needs are not met contributes to the growth of crime and terrorism, and exacerbates the effects of pollution and natural disasters. The resulting weakening of domestic structures can pose a threat to neighboring nations' security.

Recognizing this, countries extending development assistance have been making inclusiveness part of their strategic agendas, seeking to enhance the social capital of recipient countries by creating the foundations for sustainable livelihoods and freeing the disadvantaged from dependency on aid.

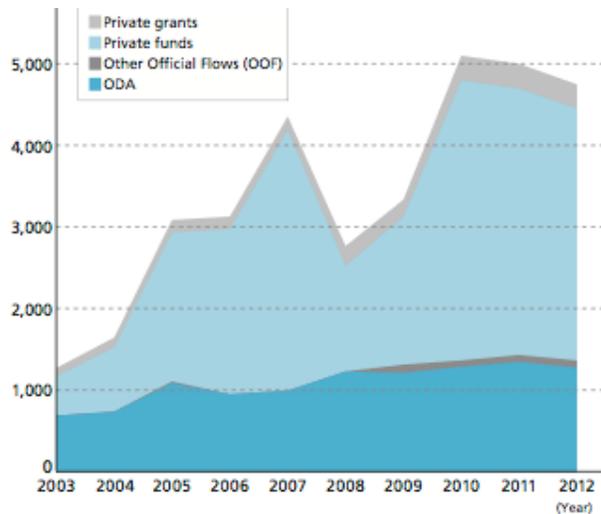
Addressing Social Issues that Government Alone Cannot Resolve

The Japanese public has tended to think of environmental protection, human rights, women's advancement, and addressing poverty mainly as the job of the government, but the situation has become more complex. There are limits on the capability of government to deal with public issues. In order to cope with these complex, interconnected issues, we must call on the resources of society as a whole. For example, when we consider the factors contributing to poverty in Japan – including unemployment, dysfunctional families, and lack of education – it is apparent that the Ministry of Health, Labor, and Welfare, which is notionally responsible for government policy in this area, cannot resolve the issues on its own. Cooperation with businesses and communities is essential. In the case of large-scale disasters like the Great East Japan Earthquake of March 2011, the impact is felt in every aspect of people's lives and cannot be addressed solely within the framework of public administration.

Every social problem is an amalgam of diverse individual woes and its solution must involve efforts not just by the government, but by all sectors and strata of society based on a sense of their respective responsibilities. In particular, heightened expectations are being directed at the corporate sector, a result of its organizational and technological strengths and funding clout. It is hoped that corporations can bring these strengths to bear in initiatives to fight infectious diseases, such as HIV/AIDS, malaria, and Ebola, as well as to tackle issues like women's empowerment, access to education, and climate change.

Figures from the Organization for Economic Cooperation and Development (OECD) on financial flows to developing

Figure 1 Financial Flows from Developed to Developing Countries (nominal terms)¹



Source: DAC Statistics on OECD.STAT
Nominal terms: Values not adjusted for exchange rates and price fluctuations

by ADB President Takehiko Nakao at the Japan-LAC Business Forum,” April 24, 2014, <http://www.adb.org/news/speeches/statement-adb-president-takehiko-nakao-japan-lac-business-forum>.

countries show a marked increase in funds from the private sector around the year 2000. These private flows have exceeded official flows—consisting mainly of official development assistance (ODA)—since 2005. As of 2012 they were roughly 2.5 times the latter in volume.³ As noted in Japan’s 2014 ODA White Paper, developing countries (particularly in Africa), which formerly depended almost entirely on ODA for external funding, are now drawing attention from the private sector as investment targets and consumer markets. This is a welcome result of globalization.

Another factor behind the increased emphasis on the role of the private sector in development assistance is the deterioration of public finances in donor countries. This is a salient concern in Japan, with its sizable and growing national debt. Restoring fiscal discipline is a key priority for the current administration. When Prime Minister Shinzo Abe decided last November to postpone a scheduled tax hike in the face of a sagging economy, he made a point of excluding the possibility of further postponement beyond April 2017, even if the economy remains weak. To underline his administration’s commitment to cutting the deficit, he called a snap general election in December 2014 to secure a renewed popular mandate for his economic policy agenda.

Restoring fiscal discipline will be a difficult task in view of the many demands for public funds. The aging of Japan’s population is causing an inexorable rise in social welfare costs. Efforts to revitalize local economies rely heavily on revenue sharing from the national government. Meanwhile, the success of Abenomics (the government’s signature economic policy initiative) may depend on generous outlays for public works. In contrast to these types of government spending, whose effects are readily visible to the public, the budget for ODA is a hard sell.

This is not just a Japanese concern. The difficulty of securing funding for public services in the face of severe budgetary constraints is evident throughout the developed world. In Britain, public services have been overhauled and are being provided not just by the national treasury, but by tapping financial resources from society as a whole, including the private sector, local communities, and the voluntary sector.

Japan is no longer in a position to hand out the fruits of rapid economic growth to other countries in hopes of promoting its own national security. Instead it needs to fulfill its responsibilities as a member of the international community through initiatives that will promote peace and stability around the world without draining its own coffers.

However, this does not mean that Japan can stop increasing its ODA outlays. National security and supporting global peace are primarily the responsibilities of government. Private funds should be seen as a powerful complimentary tool for maximizing the impact of ODA, but not as a substitute.

Japan’s New Development Cooperation Charter

Many in Japan’s development community hope for the promotion of economic inclusiveness and the cooperative combination of public and private funding. In February 2015, the government set forth its current stance with a Cabinet decision approving a new Development Cooperation

³ However, it should be noted that a fair share of private flows are remittances, which, because they flow directly to individuals living in the develop countries, usually do not contribute to societies as a whole.

Charter (replacing the ODA Charter first adopted in 1992 and last revised in 2003).⁴

The Cabinet decision referred to “development” as “encompass[ing] such activities as peacebuilding and governance, promotion of basic human rights and humanitarian assistance,” and noted the importance of “securing the stable foundations of development such as peace, stability, rule of law, governance and democratization.” It referred to “inclusive development that leaves no one behind,” declaring, “It is important to ensure that a wide range of stakeholders in society, including women, participate in every phase of development.” It further noted, “The world is facing more diverse and complex challenges. These challenges are increasingly widespread, transcending national borders as the world is increasingly globalized. In a world faced with such difficult challenges, individual countries are required more than ever to exercise ingenuity and take action.”

The decision also considered the role of nongovernmental actors: “In the present international community, various actors, including private companies, local governments and non-governmental organizations (NGOs), play an increasingly important role in addressing development challenges and supporting sustained growth of developing countries. It is therefore important to mobilize a wider range of resources that are not limited to ODA. In this context, ODA, as the core of various activities that contribute to development, will serve as a catalyst for mobilizing a wide range of resources.”

Other noteworthy features of the new charter are its explicit references to “inclusive, sustainable and resilient growth” as “essential for the stable growth of the global economy as a whole,” and its explicit references to Japan's national interests. The charter concludes, “To secure its national interests, it is essential for Japan, as a ‘Proactive Contributor to Peace’ [and] based on the principle of international cooperation, to work together with the international community, including developing countries, to address global challenges.”

Up to now, Japan's ODA policies have addressed specific countries or issues. The new charter introduces policies that target entire regions. As Tokyo Foundation research fellow Ippeita Nishida observed in a November 2014 review of a preliminary draft of the charter, the existing set of policies “did not match the actual situation in regions like Southeast Asia and Africa, where the emergence of regional and quasi-regional institutions is coming to have an increasing political impact.”⁵ Nishida also referred to “the need for measures to address cross-border developments such as large-scale natural disasters, infectious diseases, terrorism, and piracy,” a need that forms the basis for the adoption of policies for wide-area assistance.

The new charter notes, “Asia is a region that has a close relationship with Japan and high relevance to its security and prosperity,” and it declares that Japan will extend development cooperation to the region on the basis of this recognition. The charter continues: “Japan will support the establishment of the [Association of Southeast Asian Nations (ASEAN)] Community as well as the comprehensive and sustained development of ASEAN as a whole.” It refers specifically to seven focus areas:

⁴ “Cabinet decision on the Development Cooperation Charter,” Ministry of Foreign Affairs of Japan, February 10, 2015, <http://www.mofa.go.jp/files/000067701.pdf>.

⁵ Ippeita Nishida, “‘Hatten kyoryoku taiko’ seifuanwo yomu—sono tokucho to kadai” (Reading Japan's Development Cooperation Charter – Features and Themes), November 13, 2014, <http://www.tkfd.or.jp/research/project/news.php?id=1370> (in Japanese).

- 1) development of both physical and non-physical infrastructure;
- 2) reduction of disparities within both the region and individual countries;
- 3) strengthening assistance to the Mekong region;
- 4) assistance in human resource development and other areas for countries that have already achieved a certain level of economic growth to keep them from being caught in the ‘middle income trap’;
- 5) strengthening of disaster risk reduction and disaster relief capabilities;
- 6) promotion of the rule of law, which constitutes the basis for stable economic and social activities; and
- 7) cooperation with ASEAN as a regional organization to support united efforts to tackle its challenges.

Promoting inclusiveness with a view to global security and to humanitarian concerns involves efforts to address structural social issues that cross national borders. It is an undertaking that cannot be accomplished through assistance from a single nation, even if private-sector funding sources and civil-sector organizations work in cooperation with the government. While each donor nation has its own philosophy of development assistance set forth in a charter or similar mission statement, the most effective and resource-efficient approach is to cooperate by participating in multilateral undertakings like the United Nations Global Compact and cross-sector initiatives led by organizations like the World Economic Forum.

With respect to the ASEAN region, where we hear much talk of the importance of policy cooperation in areas like maritime security and the rule of law, the long-established alliance between Japan and the United States can make a major contribution in the field of development assistance.

The Potential of Japan’s Corporate Sector as a Partner in Addressing Social Issues

A. Overview of Japan’s CSR and Social Issues

In the pursuit of Japan-U.S. cooperation in development assistance, how can we draw the two countries’ private funds and civil sectors into the process using a horizontal division of labor? Here I will consider the role of Japanese firms’ corporate social responsibility (CSR) programs in addressing social issues. In 2014, the Tokyo Foundation conducted a survey of CSR programs at 218 companies, consisting largely of corporations listed on the First Section of the Tokyo Stock Exchange.

The most commonly cited areas in which companies view their domestic CSR activities as having produced good results are: (1) environmental protection; (2) cultural preservation, including efforts to keep local festivals going and to pass on traditional culture to the next generation; and (3) maternal health, including improved maternity leave programs. Outside of Japan, while environment-related efforts are by far the most commonly cited as successful, Japanese companies are undertaking initiatives in areas conducive to economic and social inclusiveness, addressing issues like poverty, human rights, and public health (see Figure 2).⁶

⁶ “Overview of CSR in Japan: Ideals, Intentions, and Realities at Advanced Companies,” The Tokyo Foundation, September 10, 2014, <http://www.tokyofoundation.org/en/articles/2014/overview-of-csr-in-japan>.

Figure 2: Number of CSR Initiatives Taken by Issue⁷

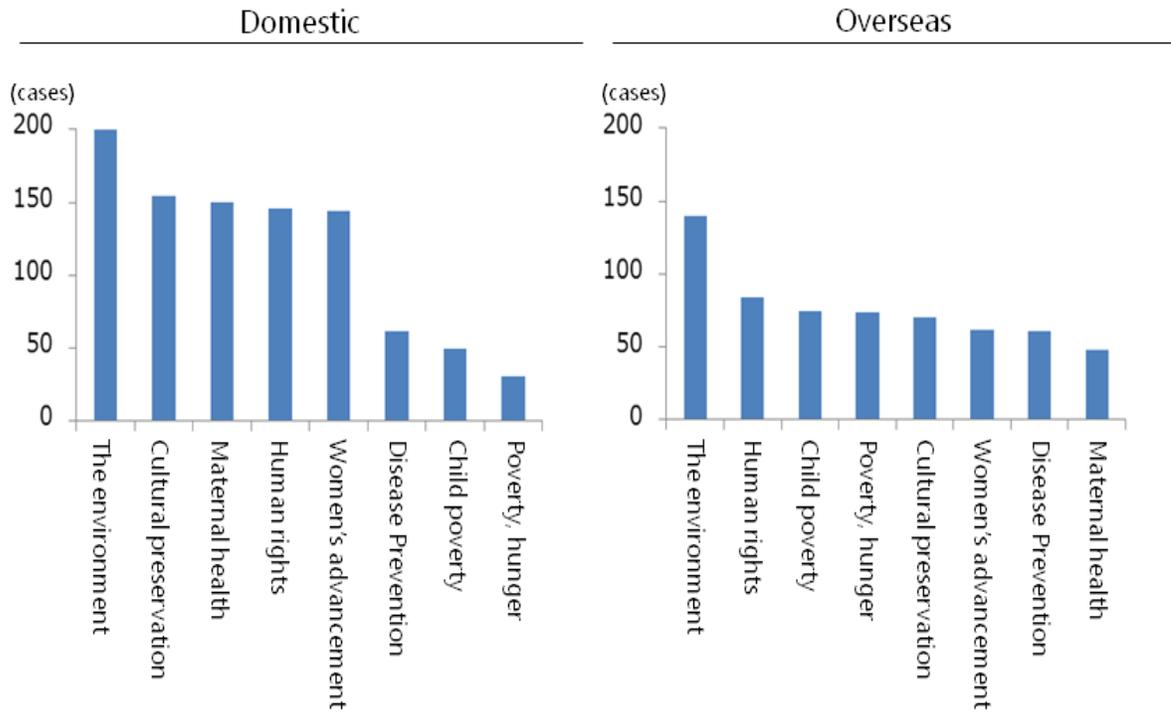


Figure 4: Cases Deliberated vs. Actions Taken by Issue⁸

	Deliberation > Action		Deliberation ≈ Action***		Deliberation < Action	
	Issue	Cases deliberated / Actions taken	Issue	Cases deliberated / Actions taken	Issue	Cases deliberated / Actions taken
In Japan***	None		Women	149 / 144	Poverty	20 / 31
			Maternal health	154 / 150	Child poverty	36 / 50
			Other	133 / 132	Culture	129 / 154
			Environment	193 / 200	Human rights	132 / 146
			Public health	57 / 62		
Overseas***	None		Women	63 / 62	Poverty	59 / 74
			Other	79 / 78	Maternal health	38 / 48
			Human rights	81 / 84	Culture	58 / 70
			Environment	134 / 140	Child poverty	64 / 75
					Public health	52 / 61

⁷ Source: Tokyo Foundation CSR Survey 2014.

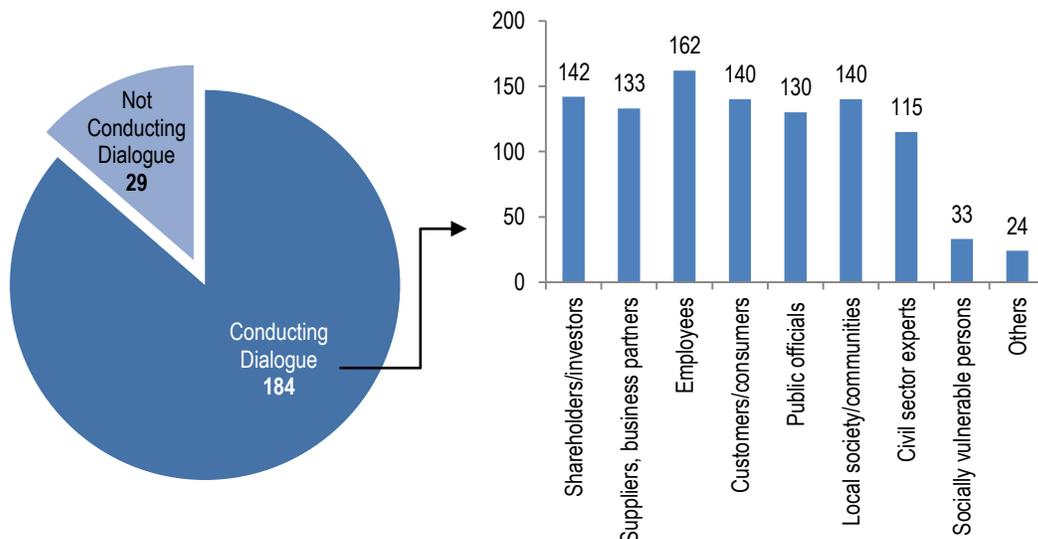
⁸ Source: Tokyo Foundation CSR Survey 2014.

The survey also looked at companies’ level of interest in resolving particular issues and the areas in which they have taken concrete action. Figure 4 shows an issue-by-issue breakdown of the answers to two questions: “How much interest do you have in resolving the following social issues?” and “Which of the following issues are you taking concrete initiatives to resolve?” The results of this breakdown are interesting. For many issues, the number of companies that have taken concrete action is higher than the number that have held repeated meetings to discuss the matter. When it comes to business management, a company would never skip the deliberation process, including advance studies, but in the case of CSR they often move straight to implementation.

Of course there are some areas, such as the environment, in which Japanese companies are proficient and have been active for many years. On issues like these, it is quite conceivable that companies completed their deliberations at an earlier stage and were already at the implementation stage at the time of our survey. However, the results overall seem to indicate a strong bias toward action. This is also seen in the areas of poverty and human rights, which are fields in which companies will be expected to do more in the future.

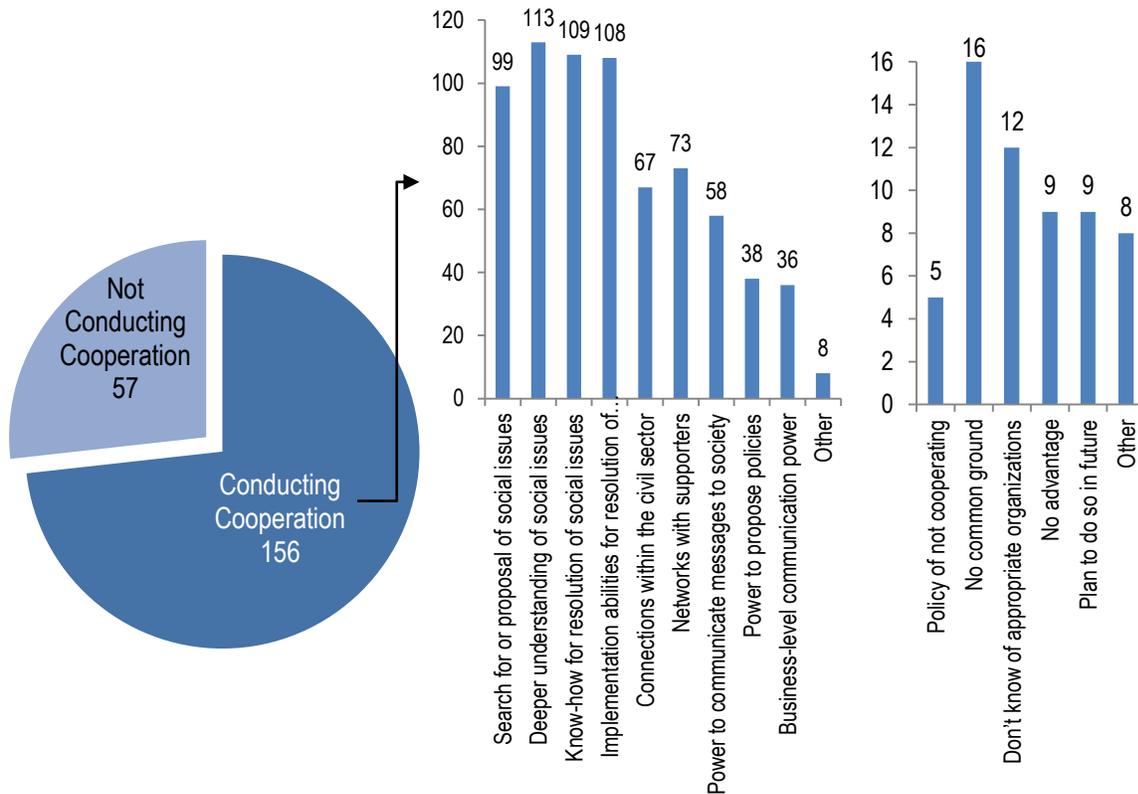
Asked whether their company engages in dialogue with various stakeholders as part of its CSR activities, many of the respondents said they did. However, when it comes to the nature of the dialogue partners, the survey found that the number of companies conducting dialogue with socially vulnerable persons—the actual or prospective beneficiaries of their activities—was quite small, much smaller than the numbers for other types of stakeholders. Companies are used to conducting business-related dialogue with their customers but have relatively little experience in non-business related dialogue with counterparts in the government and social sectors. They may also hold back from dialogue with groups that advocate particular ideologies or causes because they want to avoid the reputational risk of getting drawn into the fray over controversial issues.

Figure 5: Dialogue with Stakeholders⁹



⁹ Source: Tokyo Foundation CSR Survey 2014.

Figure 6: Areas of Cooperation ¹⁰



Respondents were also asked whether their company is working together with others in conducting CSR activities. As with dialogue, a major portion of the surveyed companies reported that they are. Asked what they expected from their partners, the respondents cited help in such areas as finding or proposing social issues to address, acquiring deeper knowledge of these issues and know-how for their resolution, and increasing their capacity to implement programs.

Meanwhile, the scale of philanthropic outlays by Japanese corporations is substantial, partly as a result of long encouragement from business organizations, such as the Keidanren (Japan Business Federation). According to Keidanren surveys, total expenditures for corporate philanthropic activities came to ¥173.5 billion in FY2013. Of the average ¥482 million outlay per company (up 8.1 percent year-on-year), 72 percent was donated.¹¹

In sum, Japanese companies are providing large amounts of money for philanthropic purposes, but they have relatively little know-how or experience in identifying issues to address as a corporate citizen or in directly implementing projects to address such issues. As a result, they tend to rely on others—such as civil sector organizations and social enterprises—to do this

¹⁰ Source: Tokyo Foundation CSR Survey 2014.

¹¹ Keidanren and 1% (One-Percent) Club, “Summary of the Survey on Corporate Philanthropic Activities in Fiscal 2013,” October 14, 2014, http://www.keidanren.or.jp/en/policy/2014/082_summary.pdf.

for them. If Japanese firms want to truly fulfill their social responsibilities, it is not enough to simply “outsource” their CSR activities to external partners and publish the results in their sustainability reports. They need to work together with their partners to determine which social issues that they will address, carefully consider how best to tap their in-house resources, craft plans accordingly, and then implement them with their partners’ cooperation, thereby building up their own store of know-how and experience. This sort of cross-sector approach could enhance the learning curves of Japanese businesses.

Meanwhile, some Japanese companies that are operating internationally have already started initiatives to address social issues through their own business operations based on the concept of “creating shared value.” We also find companies that are looking at various possibilities in the area of Bottom of the Pyramid (BOP) business not as CSR activities, but as a field for business investment. In a recent survey of 943 major listed and unlisted corporations conducted by business publisher Toyo Keizai, 95 companies, or about one-tenth of those surveyed, reported that they were already involved in BOP business. Another 79 said they were considering entering this field. Furthermore, out of 768 companies that responded to a question about how they viewed BOP business activities, 364 replied that it was primarily philanthropic, 276 identified it as offering future business opportunities, and 55 said it was already a commercial business for them.

B. The Need for Japanese Companies to Implement CSR in Asia

According to a survey of overseas business activities by Japan’s Ministry of Economy, Trade, and Industry (METI), as of the end of fiscal year 2012 (March 31, 2013), Japanese corporations had a total of 23,351 overseas affiliates—44.6 percent in manufacturing industries and 55.4 percent in nonmanufacturing industries. By region, the number of overseas affiliates in Asia had risen to 15,234, accounting for 65.2 percent of the total (up 2.4 percentage points from a year earlier).¹²

Given the large and growing scale of Japanese presence in the economies of the region, Japanese companies are facing expectations that they will behave responsibly as good corporate citizens. In addition, as Japanese firms serving domestic markets have globalized their operations, they have had to substantially adjust their mindsets with respect to CSR. In the case of the pharmaceuticals industry, for example, the global-scale regrouping and consolidation process has brought mergers with foreign companies, with the result that people at

Figure 7: Distribution of Overseas Affiliates by Region¹

(Unit: companies for upper columns, composition ratios (%) for lower columns)

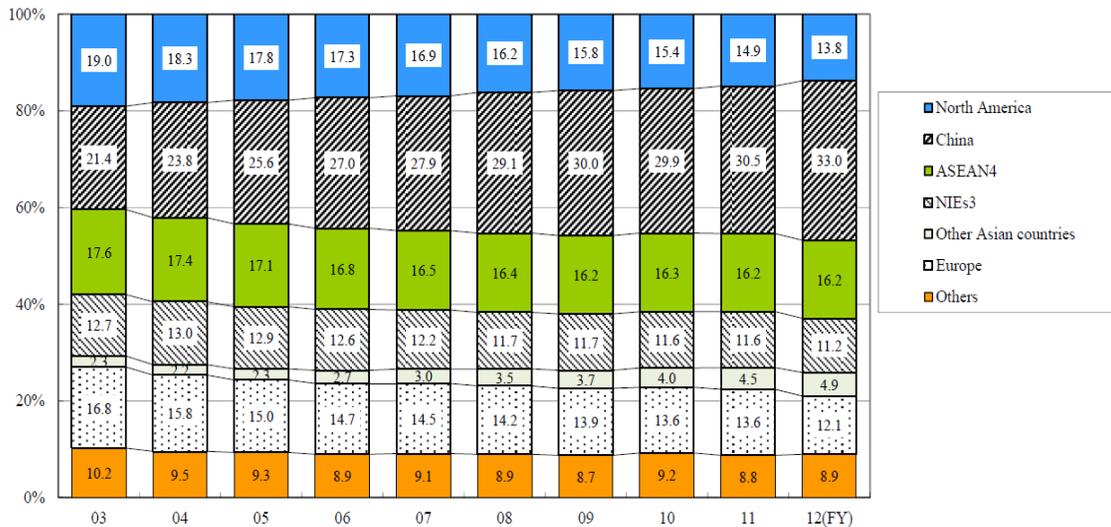
	FY2011	FY2012
All regions	19,250	23,351
	100.0	100.0
North America	2,860	3,216
	14.9	13.8
Asia	12,089	15,234
	62.8	65.2
China	5,878	7,700
	30.5	33.0
ASEAN4	3,111	3,776
	16.2	16.2
NIEs3	2,238	2,605
	11.6	11.2
Other Asian countries	862	1,153
	4.5	4.9
Europe	2,614	2,834
	13.6	12.1
Others	1,687	2,067
	8.8	8.9

¹² “Summary of the 43rd Basic Survey on Overseas Business Activities,” <http://www.meti.go.jp/english/statistics/tyo/kaigaizi/pdf/h2c406je.pdf>, 2.

corporate headquarters in Tokyo must deal directly with issues that previously never crossed their minds. These include issues associated with conflict minerals, military clashes, terrorism, absolute poverty, and infectious diseases. As Japanese corporations have encountered these challenges, they have rapidly developed a more sophisticated awareness of CSR.¹³

With the rise in the global share of foreign direct investment going to emerging and developing countries, the impact of regulations in the target countries on the business activities of international corporations has increased, and free trade agreements between states have come to include provisions concerning conditions for business. The Trans-Pacific Partnership (TPP) agreement now being negotiated is expected to contain sections on the environment and labor. For Japanese and U.S. companies the conditions imposed under such agreements should not be particularly difficult to meet, but it is clear that firms extending their operations internationally will need to heighten their sensitivity to the social issues in the countries where they set up shop.

Figure 8: Trends in Distribution Ratio of Overseas Affiliates by Region¹⁴



Meanwhile, governments of many Asian countries are expecting the CSR activities of companies in the region to play an important role in contributing to the establishment of a fair and just business environment and to sustainable growth, as stated in 2008 Asia-Pacific Economic Cooperation Leaders' Declaration.¹⁵

What kind of concrete CSR initiatives are companies expected? A recent article from CSR Asia, a Hong Kong-based advisory and research organization, identified the following as key issues:

- 1) climate change and water;

¹³ Takeda Pharmaceutical is a good example. For details, see the Tokyo Foundation's CSR White Paper 2014.

¹⁴ Source: Ministry of Economy, Trade, and Industry.

¹⁵ "Lima Declaration: A New Commitment to Asia-Pacific Development," Asia-Pacific Economic Cooperation, November 23, 2008, http://www.apec.org/Meeting-Papers/Leaders-Declarations/2008/2008_aelm.aspx.

- 2) supply chains, human rights, and slavery;
- 3) community investment and the emerging development agenda;
- 4) corporate governance, disclosure and anti-corruption; and
- 5) wealth gaps, poverty and social imbalances.¹⁶

Looking at this agenda, we can see that the issues relate directly to the building of a base for sustainability in market economies

To sum up, Japanese corporations are expected to behave responsibly in the Asian countries in which they operate and must conduct risk management accordingly. They are aware that they do not have sufficient know-how in identifying areas to address and implementing corresponding initiatives. In areas such as human dignity and inclusiveness, the agenda they are expected to address coincides with key elements of Japan's Development Cooperation Charter and major themes of Japan-U.S. development cooperation, meaning that there is a strong possibility of meaningful collaboration between the business community and government organs.

Asian Views of Japan and the United States

We have seen that Japanese corporations have a strong interest in Asia, but how are the people of other Asian countries likely to respond to Japan-U.S. development cooperation?

A survey of seven ASEAN member countries (Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) commissioned in 2014 by Japan's Ministry of Foreign Affairs found that views of Japan were generally positive. Asked to choose which of 11 countries (Australia, Britain, China, France, Germany, India, Japan, New Zealand, Russia, South Korea, or the United States) they considered most reliable, 33 percent picked Japan, more than twice the figure for the United States, which came in second at 16 percent. Japan placed top by this measure in every one of the surveyed countries except the Philippines and Singapore, where the United States was first and Japan second. This suggests that the environment is good for Japan-U.S. cooperation with ASEAN.

In addition, 92 percent of the respondents from all seven countries affirmed that Japan was playing an active role in the development of Asia, 89 percent believed that Japan's economic and technological cooperation was helpful for their country's development, and 95 percent indicated that they welcomed the expansion of Japanese companies into ASEAN. When respondents were asked to name the areas in which they wished for Japan to contribute to the ASEAN region, "economic and technological cooperation" came first (cited by 77 percent), followed by "trade promotion and private investment" (67 percent). This indicates that respondents had expectations for the economic aspects of Japan's international contribution.¹⁷

Regarding Asian views of the United States, the Pew Research Center's 2014 Global Attitudes & Trends survey found that views of both the United States and Japan tended to be

¹⁶ Richard Welford, "What's hot for CSR in Asia in 2015?" CSR Asia, January 7, 2015, <http://csr-asia.com/csr-asia-weekly-news-detail.php?id=12446>.

¹⁷ "Opinion Poll on Japan in Seven ASEAN Countries," Ministry of Foreign Affairs of Japan, April 18, 2014, http://www.mofa.go.jp/press/release/press4e_000271.html. Full survey results available at <http://www.mofa.go.jp/files/000036094.pdf>.

highly favorable in ASEAN countries. In countries where ratings of the U.S. were not so high, such as Indonesia and Malaysia (59 percent and 51 percent, respectively), Japan's figures were higher (77 percent and 75 percent), illustrating the potential for cooperation that takes advantage of each country's respective strengths.

According to the same survey, within ASEAN, Indonesians and Malaysians cite the United States as the greatest threat (though Indonesians also say that the United States is their greatest ally, revealing the ambivalence of their feelings).¹⁸ However, in the MOFA survey cited above, Indonesians and Malaysians most often cited Japan as the most important partner for ASEAN, with citizens of both countries ranking it ahead of China and the United States by large margins.

In light of these findings, it seems likely that Japan-U.S. development cooperation can help improve views of the United States in countries with highly favorable views of Japan—and that in places where both are viewed favorably, such cooperation should further enhance views of the United States and Japan as open economies and democratic countries.

Japan-U.S. complementarity should not be limited to public diplomacy; it should also be tapped to address concrete social issues. Support packages should take into account each country's respective strengths and weaknesses, along with the similarities and differences between them and the Asian countries they seek to assist.

In terms of government organization, Asian countries generally have centralized systems more similar to that of Japan than the federal system of the United States. They are also subject to similar types of natural disasters, notably earthquakes, typhoons, and tsunamis. As a result, they are likely to find it easier to use Japan as a model for assigning disaster-related responsibilities to government organs. In the United States, by contrast, it is the corporate sector whose power and flexibility have stood out in cases like the response to Hurricane Katrina. The resources that the corporate sector has deployed have, in some cases, been on the scale of a small country's annual GDP.

When it comes to helping Asian countries develop their national and local government disaster-response systems, the Japanese government could take the lead, while the U.S. business community could serve as the model for emergency humanitarian aid and supply of resources. With respect to community rebuilding and inclusive growth for post-disaster recovery, it would be ideal to draw on collaborative efforts by social innovators from both countries. This sort of cooperation was seen in many cases and worked to good effect in the response to Japan's March 2011 earthquake and tsunami.

The Current Status of Japan-U.S. Cooperation in Development Assistance

On February 10, 2015, the second Japan-U.S. Development Dialogue was held in Tokyo (the first was held in Washington in 2014). This senior-level dialogue was launched on the basis of an agreement reached during Vice President Joseph Biden's visit to Japan in December 2013. The

¹⁸ "Global Opposition to U.S. Surveillance and Drones, but Limited Harm to America's Image," Pew Research Center, July 14, 2014, <http://www.pewglobal.org/2014/07/14/global-opposition-to-u-s-surveillance-and-drones-but-limited-harm-to-americas-image/>.

“Fact Sheet on United States-Japan Global Cooperation”¹⁹ issued on that occasion referred to humanitarian assistance/disaster relief and development assistance (particularly focused on Southeast Asia, the Pacific region, Africa, global health, the Millennium Development Goals, and empowering women) as critical areas of cooperation. The dialogue is being conducted based on the view that “enhanced cooperation on development between the two countries will widen the scope of the bilateral relations and contribute to constructing more multi-faceted and strengthened bilateral relations.”²⁰

The agenda shows a deliberate effort to incorporate the combined soft power of the two countries into their development assistance policies. According to the joint press release issued after the session, the two sides discussed “a broad range of development priorities and challenges on issues such as global health including the Ebola outbreak, women’s and girls’ empowerment, the Post-2015 Development Agenda, disaster risk reduction, as well as opportunities for development assistance cooperation in Asia Pacific, Africa, and other regions.”²¹

By way of historical context, although Japan was a modern state even in the period before World War II, its postwar economic growth was accompanied by its development as a democracy and, over the seven decades since the end of the war, it has become one of the world’s biggest economic powers without once engaging in military conflict. For the United States, which supported Japan’s development through the postwar occupation, Japan is a natural partner in supporting and advancing the development of Asia based on freedom and democracy.

Japan can serve as one model for developing countries seeking to free their people from poverty. Japan’s development assistance was originally implemented as a form of war reparations, but it is now in a position to draw on its experience in using the fruits of economic growth to strengthen its own social capital as a tool for assisting other countries’ development.

Three Requirements for Development Cooperation

As a practical matter, it will not be easy for Japan and the United States to collaborate on development assistance. Given the large number of actors involved, making plans, deciding on roles, and moving ahead in tandem toward shared goals may prove quite difficult.

The idea that I would like to advance, however, is not the creation of an aid-giving club where everybody plays together, but an increase in the options that actors have to tap their particular strengths, to enhance networks linking specialized participants on both sides through collaboration in development, and to better meet the needs of developing countries.

Social problems that hinder quality growth in developing countries are persistent because in most cases they are rooted in the norms, values, and culture of a society. They are

¹⁹ “Fact Sheet on United States-Japan Global Cooperation: Meeting Modern Challenges,” The White House, December 3, 2013, <https://www.whitehouse.gov/the-press-office/2013/12/03/fact-sheet-united-states-japan-global-cooperation-meeting-modern-challen>.

²⁰ “Japan-United States of America Relations,” Ministry of Foreign Affairs of Japan, February 10, 2015, http://www.mofa.go.jp/ic/dapc/page3e_000150.html.

²¹ “Joint Press Release: The Second Japan-U.S. Development Dialogue,” Ministry of Foreign Affairs of Japan, February 10, 2015, http://www.mofa.go.jp/press/release/press4e_000633.html.

adaptive challenges for the society.²² To mobilize people to change in the desired direction, broader social awareness is required, and the best way to promote the inclusion of many strata of society is through a cross-sector approach. Promoting social reforms, in other words, is better pursued through open and multifaceted efforts at various levels by various actors using various approaches, while a “siloeed” approach is liable to be wasteful.

To enable cross-sector development cooperation, at a minimum three requirements need to be met.

- 1) Actors must share a common “theory of change” for creating collective impact;
- 2) Modality of public-interest funding versus for-profit funding;
- 3) There must be leaders capable of setting clear roles and responsibilities for the various actors and projects.

I will discuss these requirements in the following sections.

The Importance of “Collective Impact”

In seeking to marshal the power of multiple actors to achieve a common goal, it may be helpful to refer to the concept of “collective impact” presented by John Kania and Mark Kramer in an article under that title in the *Stanford Social Innovation Review*.²³ As the authors note, “Social problems arise from the interplay of governmental and commercial activities, not only from the behavior of social sector organizations. As a result, complex problems can be solved only by cross-sector coalitions that engage those outside the nonprofit sector.

Kania and Kramer identify five conditions for the achievement of collective impact, as outlined below.²⁴

- 1) *Common Agenda*: All participants have a shared vision for change including a common understanding of the problems and a joint approach to solving it through agreed upon actions.
- 2) *Shared Measurement*: Collecting data and measuring results consistently across all participants ensures efforts remain aligned and participants hold each other accountable.
- 3) *Mutually Reinforcing Activities*: Participants’ activities must be differentiated while still being coordinated through a mutually reinforcing plan of action.

²² In his book *Leadership on the Line*, Ronald A. Heifetz of the Harvard Kennedy School writes “. . . people have problems for which they do. . . have the necessary know-how and procedures. We call these technical problems. But there is a whole host of problems that are not amenable to authoritative expertise or standard operating procedures. They cannot be solved by someone who provides answers from on high. We call these adaptive challenges because they require experiments, new discoveries, and adjustments in from numerous places in the organization and community. Without learning new ways—changing values, attitudes, behaviors--people cannot make adaptive leap necessary to thrive in the new environment. The sustainability of change depends on having the people with the problem internalize the change itself.”

²³ John Kania and Mark Kramer, “Collective Impact,” *Stanford Social Innovation Review* 9, no. 1 (2011): 36-41, http://www.ssireview.org/articles/entry/collective_impact.

²⁴ Kania and Kramer.

- 4) *Continuous Communication*: Consistent and open communication is needed across the many players to build trust, assure mutual objectives, and create common motivation.
- 5) *Backbone Support*: Creating and managing collective impact requires a separate organization(s) with staff and a specific set of skills to serve as the backbone for the entire initiative and coordinate participating organizations and agencies.

Among these, the key determinant of success lies in whether prospective partners can establish a solid backbone support. To create collective impact, the backbone organization has to provide leadership in areas like good governance, strategic planning, community involvement, and evaluation and improvement. A variety of organizations, including funders, non-governmental organization (NGOs), government bodies, and steering committees, are able to accomplish these tasks. Each has its pros and cons; the important issue is whether the backbone institution can exercise “adaptive leadership; the ability to mobilize people without imposing a predetermined agenda or taking credit for success,” and secure long-term funding that will support resilient results through gradual improvements over time.

Among prospective Japanese aid providers, the Japan International Cooperation Agency (JICA), Japanese grant foundations, and corporate CSR activity organizers are well-qualified to serve as backbone organizations. However, because of the long practice of isolated-impact approaches, where funders seek the most promising solution individually and evaluation and reporting systems are often designed to isolate a particular organization’s impact, it will be very hard for any of them to catalyze connections for collective impact initiatives.

In the Japanese aid community, there have already been numerous initiatives between JICA and international institutions, international NGOs, civil society groups, small- and medium-sized enterprises, BOP initiatives, and foreign private-sector bodies. Many experts involved with these initiatives have expressed concerns about the increased “transaction costs” of such initiatives.

Two major bottlenecks can be seen here. First, each player has its own mandate and accountability to pursue with its limited human and capital resources. Hence, it is often much more cost- and time-effective for an organization to work separately according to its own “theory of change.”

A theory of change provides a divided, layered set of goals toward the ultimate solution of social issues. For example, in the case of hunger, three stages are set: shifts in community capacity and conditions; community impact; and formation of country-led strategies. In each stage, there are subsets of goals relating to the causes of poverty, income generation, gender and human rights, health and nutrition, education and literacy, and so on.²⁵

One would hope to see a common theory of change for the united impact of partners. In a collective impact approach, however, backbone organizations must understand that each partner—government agencies, grant foundations, and other possible partners—has its own theory of change, but these does not preclude cooperation. While these partners all “have unique priorities... [they] increasingly work together to align their investments.”

²⁵ “The Hunger Project: Global Theory of Change,” April 7, 2011, http://www.theoryofchange.org/wp-content/uploads/toco_library/pdf/HungerProjectTheoryofChangeGlobal.pdf.

In the paper “The Role of Grantmakers in Collective Impact,” Lori Bartczak points out the need for “network officers,” who spend time in-country learning about places, ongoing good work, and potential partners.²⁶ In a collective impact approach, grantmakers or funders must function alongside other actors, rather than solely acting according to their own theory of change.

There are some examples of best practices that can be found in past cases of cross-sector collaboration. The KokoPlus project in Ghana was led by the Japanese food company Ajinomoto Group. In 2009, the CSR division of the company started to play a role as a backbone organization of an effort to improve the infant mortality rate through their food business. Ajinomoto had a strong incentive to commit to this project because it was started in order to commemorate the company’s centenary anniversary and nutritious food promotion matched their corporate mission of improving people’s dietary lives.

Koko, a traditional Ghanaian porridge for infants made from fermented corn, lacks some important nutritional elements when measured against World Health Organization (WHO) standards. Ajinomoto decided to develop a supplement for the porridge, called KokoPlus, developed jointly with the University of Ghana and the International Nutrition Foundation (an NGO). This eventually led to the formation of a league of 11 organizations including JICA, USAID, Care International, Ghana Health Service, and a local social marketer.²⁷

In another good example of the collective impact approach, the Nippon Foundation, one of Japan’s largest grantmaking organizations, has been acting as a backbone organization to eliminate leprosy worldwide for about 35 years in partnership with the WHO, national and local governments, and health institutions. By bringing these actors together to generate collective impact on an ongoing basis, the initiative has reached the point where eradication is only one country away.²⁸

Meanwhile, the Melinda and Bill Gates Foundation has undertaken a number of breakthrough initiatives for global health, one of which is a partnership with JICA to eradicate polio in Pakistan. According to an estimate from the Global Polio Eradication Initiative, JICA provided about 5 billion yen in loans to the government of Pakistan from 2011 to 2013. The government worked closely with the WHO, UNICEF, and Rotary International to immunize children against polio through oral vaccination. When Pakistan met the milestone of their 2011 National Emergency Plan for Polio Eradication successfully, the Gates Foundation decided to repay the cost of the program to JICA on behalf of the Pakistani government, declaring, “The aim of this mechanism is to support the government of Pakistan’s commitment to polio eradication without imposing a financial burden.” It hopes to apply the same mechanism to other similar health initiatives. Bill Gates has a strong commitment to making the foundation a backbone organization for global health promotion. This “pay for success” approach was created on a top-down basis through almost two years of coordination with JICA. Grant foundations may have some advantages in making a long-term commitment to forming and sustaining a coalition backed by strong expertise and plentiful resources, but in both leprosy and polio eradication the real key to success was the application of collective impact to their initiatives.

²⁶ Lori Bartczak, “The Role of Grantmakers in Collective Impact,” *Stanford Social Innovation Review*, 8–10.

²⁷ “The Ghana Nutrition Improvement Project,” Ajinomoto Group, 2013, <http://www.ajinomoto.com/en/activity/csr/ghana/index.html>.

²⁸ “Elimination of Leprosy,” The Nippon Foundation, <http://www.nippon-foundation.or.jp/en/what/projects/leprosy/>.

For various players in both the public and private sectors to join a collective impact initiative, a backbone organization has to find the best equilibrium point for each player (that is the point where the benefits of participation outweigh the associated transaction costs). In cases such as those described above involving Ajinomoto and the Nippon Foundation, these groups had strong organizational incentives to commit as backbone organizations, public organizations require strong top-down policy mandates in order to commit to cooperation in the face of high transaction costs.

Technical challenges are another bottleneck that raise transaction costs for public funding. For non-governmental and private partners, coordination with Japanese public funding sources can be time-consuming. Some prospective partners, especially foreign practitioners, give up on the idea of utilizing them in the face of complicated documentation procedures and bureaucratic supervision, which, from the standpoint of public officials, is mandated by taxpayers.

Although “siloes governmental structures and processes are counterproductive,” according to Thaddeus Ferber and Erin White, public sectors accountability to taxpayers can in some cases “allow and incentivize partnerships to create each of the five conditions necessary to achieve collective impact.”²⁹ There are moves to make government more collective-work-friendly, such as the White House Office of Management and Budget’s reporting requirement reform: “They now allow private organizations that receive money from more than one agency to consolidate their report.”³⁰ In Japan, JICA and other governmental agencies could serve as catalysts for more private-public partnerships. But here too, it will be necessary to increase flexibility and streamline the many rules and reporting requirements that currently exist. In order for the two countries to cooperate in development assistance, it will be essential for them to harmonize the requirements their governments impose for this sort of partnership by displaying greater flexibility.

To tap more private money and expertise for social change, public and non-governmental organizations funding social change will have to nurture adaptive leadership to catalyze connections among prospective partners, which is discussed later.

The Issue of Funding

Concerning the issue of funding to make collective impact possible, Kania and Kramer observe:

[Fundors] must be willing to let grantees steer the work and have the patience to stay with an initiative for years, recognizing that social change can come from the gradual improvement of an entire system over time, not just from a single breakthrough by an individual organization. This requires a fundamental change in how funders see their role, from funding organizations to leading a long-term process of social change. It is no longer enough to fund an innovative solution created by a single nonprofit or to build that organization’s capacity. Instead, funders must help create and sustain the collective processes, measurement reporting systems, and community leadership that enable cross-sector coalitions to arise and thrive.³¹

²⁹ Thaddeus Ferber and Erin White, “Making Public Policy Collective Impact Friendly,” *Stanford Social Innovation Review*, 22–23.

³⁰ Ferber and White.

³¹ Kania and Kramer.

This thinking matches the concept of “patient capital” advocated by Acumen, a non-profit global venture fund.

How patient must private sector social investment be? In a time of fiscal retrenchment for many advanced countries’ governments, hopes are that social investment will take up some of the slack in outlays for social projects. In Britain, Prime Minister David Cameron has been promoting public-private partnerships (PPPs) and private finance initiatives (PFIs), using the slogan “Small Government, Big Society.” Britain’s PFIs have their roots in the privatization drive undertaken by former prime minister Margaret Thatcher. Her Japanese counterpart, former prime minister Yasuhiro Nakasone took similar moves, privatizing Japan’s national railways and Nippon Telegraph and Telephone. However, spending by the Japanese government has continued to swell in the 21st century and there seems to be no consensus on the level of return to be expected from social investment.

Harvard Business School Professor Michael Chu, who served as CEO of ACCION International, a nonprofit that was a global pioneer in the field of microfinance, notes the need to consider the actual effects of “impact investing.” Chu has come up with a following schematic representation of the desired outcome of impact investing, presenting business risk on the y-axis and ecosystem risk (a function of the coherence of the business) on the x-axis. According to Chu, success for a social enterprise represents movement from the upper right quadrant of his diagram (where business and ecosystem risk are high) to the lower left quadrant (where these risks are low). In other words, the goal is to move from a state of reliance on support from venture capital to one of being able to draw on commercial funding sources. Producing this sort of outcome is the “impact” of successful impact investing.

Meanwhile, philanthropic funds and CSR outlays serve as sources of social enterprises regardless of their position on the ecosystem risk axis. This categorization makes it possible to establish a certain degree of order in framing the timing and roles of different types of support—government funds, CSR outlays, socially responsible investment (SRI), and others—in keeping with their source’s respective objectives. This sort of funding “traffic control” may also facilitate the formulation of strategies for achieving collective impact.

However, in order to achieve sustainable, quality growth, it will ultimately be necessary to bring social enterprises into commercial markets. If social problems are resolved and people’s incomes increase, this will lead to the growth of new markets for the corporations involved in collective impact initiatives. Hence, even if CSR activities are used for impact investment, they should also be undertaken with an eye to future business potential.

One good example is seen in the efforts of the American firm Proctor & Gamble (P&G), which noted the future potential of the Asian market in the 1980s and started distributing sanitary napkins to female students in rural villages and elsewhere. The company also provided maternity education on a philanthropic basis to them as they matured. These female students have since grown up and become mothers, and their entire families are now the target for P&G’s daily-use products. This company’s success was based on the congruence between its CSR activities and its business strategy, and it has given it a strong lead over its Japanese competitors, which did not recognize the region’s potential until after the turn of the century.³²

³² Kazuki Moribe, “P&G kara Manabu Ajia no Chaneru Kouchiku,” *Nikkei*, November 17, 2014,

Another example is Japan's Benesse, a company in the education business, which in May 2013 established the Benesse Social Investment Fund with an investment quota of \$15 million and a mandate to promote the spread of education in developing and low-income countries. The impact investment activities of this fund reportedly include investment in an Indian ICT educational enterprise. What made Benesse look overseas was the decline in Japan's population. Facing the continued shrinking of its domestic market, the company decided that the way for it to keep growing was by tapping the future potential of emerging countries with growing populations and rising middle classes. It has undertaken a marketing innovation of sorts: instead of moving to extend its own operations directly to emerging countries by matching its educational products to their particular needs, it is seeking to acquire know-how by working together with local education-related social enterprises and NGOs through this fund.

In Japan, meanwhile, non-cash-based small-scale financing has picked up in response to the March 2011 Great East Japan Earthquake. One interesting example is the Sécurité Disaster Region Support Funds initiative launched in 2011 by Music Securities, a Japanese crowdfunding firm. The firm establishes funds for narrowly targeted recovery projects, soliciting participation in units of 10,800 yen (roughly \$90). Half of the money is treated as a donation and the remaining half as an investment. One of the funds was targeted at Yagisawa Shoten, a 200-year-old soy sauce maker in Rikuzentakata, a city devastated by the post-quake tsunami. Yagisawa Shoten's factory and storehouse were destroyed, but traces of the precious cultures used in making the company's soy sauce were found in some of the broken barrels left behind by the receding waters, and the company's ninth-generation CEO was determined to rebuild. A sum of 150 million yen (about \$1.3 million) was raised from 4,250 investors, and about four years after the disaster the company was able to resume production and sales. The scheme was distinctive in that it drew on the patience of investors and shared the returns with them in an unorthodox manner—not with stocks or cash dividends, but with bottles of the company's newly brewed soy sauce. Similar financing initiatives have provided funds to support many specific projects in the quake-struck region.

Developing Leaders: Capacity Building for Development Cooperation

The next issue for development cooperation is to develop leaders capable of turning an assemblage of actors with disparate talents and strengths into a coherent body for the promotion of social change. The United States is advanced in this respect as colleges and graduate schools offer many courses to train such leaders, and the qualities required for leadership in social innovation are a subject of lively discussion.

Jeffrey Kushner, a partner at Social Venture Partners Boston who became involved in venture philanthropy after 20 years of experience at hedge funds and other financial services firms, identifies the qualities required of grantees as sustainability, relevance, and leadership, noting that they must be “addressing a critical need in a novel and effective manner” and need to have a “credible, effective, and coachable leader.”³³

Meanwhile, Ashoka, Acumen, and other social innovators addressing issues in

<http://business.nikkeibp.co.jp/article/opinion/20141113/273799/?P=1>.

³³ Session on “Building Momentum: How to achieve scale, sustainability and social impact,” Social Enterprise Conference 2015

developing countries cite qualities such as empathy, resilience, and commitment as keys traits of the leaders they seek. They provide intensive training in the United States before sending these leaders to work on social projects in developing countries. Here I would like to introduce the partnership between Acumen and my organization, the Tokyo Foundation.

Since 2009 we have been sending Japanese to participate in the Acumen Global Fellows Program in the United States to receive leadership training in both technical skills and skills relating to adaptability and self-reform. The areas covered include: (1) commitment to dealing with social issues; (2) tolerance toward others and teamwork; (3) basic knowledge of marketing and corporate finance; and (4) the ability to communicate precise, detailed content in English. For example, workshops held in rural Massachusetts and disadvantaged neighborhoods in New York City focus on such topics as adaptive leadership, storytelling, and empathy building. The program also includes liberal arts content, such as readings from Eastern and Western philosophers. The training aims to foster values such as generosity, accountability, humility, audacity, and integrity. Participants then go on to spend eight months in a developing country working at social ventures, where they gain experience in management for stability and scaling up of operations. There they soon realize how difficult it is to be empathetic with local people and the importance of social leadership education.

The focus in the United States is on creating superior leadership development programs that bring together diverse participants in small groups to learn and grow in friendly competition. The ten Acumen fellows each year come from every continent, and their backgrounds are reflected in their leadership styles. Japanese participants are accustomed to having their abilities assessed with paper tests, but leadership training of this sort is something they often find more challenging. Even so, in every one of the past five years a Japanese woman has been among the ten people selected to participate in this program out of a field of about 1,000 applicants from around the world. These women have gone on to work in various capacities in developing countries: leading the scaling-up of a private-sector ambulance service in India; joining with local farmers in a drive to increase rice yields in Ghana; and putting the management of a microfinance enterprise in Nigeria on a solid footing.

Japanese leaders generally get good marks for working from morning to night together with local staff members, for their egalitarian attitude, and for their diligence in arranging for the wheels to keep turning smoothly after their departure. This “Japanese-style” leadership has been noted frequently in JICA assistance projects in Asia. It is generally based on long-term “participatory observation” of the recipient countries. Some observers suggest that this approach has its roots in Japan’s own experience as an aid recipient after World War II: the amount of aid was huge, but the results were mixed, and the social memory of this experience may in part explain why Japanese aid workers take time for observation and focus on working together with recipients. This sort of leadership can function effectively when Japan and the United States jointly provide social innovation services to local communities in Asia.

The women who have returned to Japan after completing their training overseas, having acquired precious leadership skills in the process, have, without exception, been unable to find positions in Japan where they can put their experience and skills to full use. In almost every case they have ended up returning to developing countries and resuming social enterprise work. Japanese society has experienced brain drain by being unable to add the know-how of these leaders to its store of capabilities. The story is much the same for those who serve in JICA’s Japan Overseas Cooperation Volunteers (JOCV) program.

A major factor behind this phenomenon is the lack of occupational mobility among the government, business, and civil sectors in Japan—mobility that would allow people to take the experience they have gained in one sector and apply it in another. When young Japanese graduate from college or complete their graduate studies, the standard next step is for them to join a business or other organization. Job hopping is frowned on, and taking on more than one job at a time is strongly discouraged. Even today, the ideal is to serve a single master faithfully—to join an organization and stay with it—for one’s entire career. Consequently, the skills that people acquire over the years tend to be specific to the organization they work for, and opportunities to achieve diverse capabilities are limited to members of top management. This applies to organizations of every type: business corporations, government agencies, and NGOs. The members of these sectors work in their respective worlds with their respective strengths, and there are few mechanisms to create a pool of human resources capable of leading cross-sector innovation.

Moves are afoot though to allow people to hold on to their employment status while accumulating outside experience within Japan or abroad, and to then use their new perspectives in promoting corporate and social reforms. One example is JICA’s Private-Sector Partnership Volunteer System, which helps companies develop human resources for their international business development and serves as a framework for support of local enterprises.

In Western countries, meanwhile, frameworks like Global Pro Bono and International Corporate Volunteers have spread. These allow employees of global corporations and other firms to spend time as volunteers in developing countries, where they apply their professional skills and leadership abilities to addressing social issues.³⁴ For global corporations that see the world as their market, personnel who can exert leadership with empathy are key resources for business development. Moreover, the experiences of volunteers in developing countries are said to help them serve as catalysts for innovation in their own organizations. These frameworks are also beginning to spread to Japan. At present, there is a social enterprise in Japan that is partnering with a group in the United States that acts as an intermediary for frameworks like Global Pro Bono in order to arrange for employees of Japanese companies to take part.

If Japanese ODA is to serve as a catalyst for mobilizing a wide range of resources, we should focus first on capacity building through the development of human resources capable of leading the development and implementation of initiatives in a manner that avoids increasing transaction costs. This should also promote the domestic and international mobility of Japanese personnel in the field of economic development, who have up to now been concentrated solely within JICA.

A good starting point for building the number of collective impact innovators in both Japan and the United States would be the establishment of joint adaptive leadership training programs between similar organizations, such as USAID and JICA, Keidanren and the Conference Board, and Japanese Government Pension Investment Fund and CalPERS, which could then be expanded into cross-sector trainings.

³⁴ Alice Korngold, “International Corporate Volunteering: Profitable for Multinational Corporations,” *Huffington Post*, March 7, 2014, http://www.huffingtonpost.com/alice-korngold/international-corporate-volunteering_b_4920088.html.

Case Study of U.S.-Japan Cross-Sector Alliance for Girls Education

On March 19, 2015, U.S. first lady Michelle Obama and her Japanese counterpart Akie Abe announced a pledge “to strengthen bilateral cooperation in helping girls around the world receive an education, especially in developing countries.” The U.S. government will spend \$250 million supporting girls’ education in the 2015-16 budget and the Japanese government will outlay 42 billion yen or more under its Official Development Assistance program during the next three years. According to the *Japan Times*, “Under the partnership, the Japan International Cooperation Agency... and the U.S. Peace Corps, both sending volunteers abroad, will formalize cooperation and ‘focus in particular on advancing girls’ education through cooperation on the ground in countries around the world.’”³⁵

This is a good starting point for cross-sector cooperation among U.S. and Japanese aid agencies, companies, civil sectors, and local social entrepreneurs to create a “Collective Impact” on girls’ education in Asia.

Both the U.S. and Japanese governments have policy incentives; the United States has already started the “Let Girls Learn” initiative under Michelle Obama, and women’s empowerment is one of the key policies that Prime Minister Abe promotes. Women’s empowerment is high on the agenda and the Asia-Pacific is the priority region for the U.S.-Japan Development Cooperation Dialogue. Japan’s new Development Cooperation Charter aims “to mobilize a wider range of resources” and ODA “will serve as a catalyst for mobilizing a wide range of resources.”

There are several supporting reasons. First, girls’ education will be a powerful drive in the push for inclusive growth in developing countries in Asia. But women’s issues are deeply rooted in the norms, values, and culture of a society. For a society to adapt and change, broader social awareness is required, and the best way to boost the awareness of the many different strata of society is through a cross-sector approach.

Second, over 60 percent of Japanese corporate affiliates are located in Asia and hope to include lower- and middle-income populations in their value chains. Some educational companies have even established a social investment fund for education in Asia. As the supply-chain extends, Japanese corporations will have to raise their awareness as responsible corporate citizens in developing countries.

Third, Japan has been developing women’s education for hundreds of years, even

³⁵ Masaaki Kameda, “Michelle Obama, Akie Abe pledge bilateral effort for girls’ education,” *Japan Times*, March 19, 2015, <http://www.japantimes.co.jp/news/2015/03/19/national/politics-diplomacy/michelle-obama-akie-abe-pledge-bilateral-effort-girls-education/#.VRK87fnF9yw>.

when social norms did not allow girls to learn with support from Western girls' schools. This is evident in Japan's many schools for girls' and women's middle- and higher-education. In addition, increasing numbers of young Japanese professionals are entering the field of social innovation. This may provide an avenue for Japan's commitment to mobilize younger generations in traditional Asian societies.

Fourth, USAID and JICA desire cross-sector cooperation not because it is a top-down policy but because broader participation from the United States, Japan, and recipient countries, will allow USAID and JICA to obtain further support from taxpayers, as well as people in the developing countries. Finally, U.S.-Japan cooperation on social issues may create a new form of shared soft power in Asia.

Transaction costs of partnering may be justified using the rationale above, however, there are some bottlenecks, such as how to create backbone organizations. One possibility is to use the 1.5 track framework, like the Tomodachi initiative, by establishing one common campaign identity and creating a backbone organization under its name. A philanthropic foundation which has expertise in collaborative work, development in Asia, or education for the poor is desirable.

The backbone organization needs a professional with multi-sector experience to play the role of a "transmission gear" in the middle of different actors with different stakes. Under this director, the backbone organization would need a fund manager to assemble public and private funding and donations. Private funds should be raised in such forms as social investment, cloud/group funding, or CSR outlays (including in-kind donation such as educational/daily materials and tools). After the March 2011 earthquake, information technology-based social finance gradually expanded and now represents a useful tool, especially among younger Japanese. Corporations which seek new markets in Asia, too, have to share fair "membership" fees so that they will be able to collect data and information through the collaborative work.

To empower this public-private partnership, aid experts from governments and international institutions, as well as local professionals with social enterprises operating in Asian countries, will play core roles in proposing a "theory of change" for cross-sector initiatives with clear benchmarks and exit strategies. Some technical improvements will also be required to decrease transaction costs, such as standardizing reporting formats.

USAID and JICA have long accumulated expertise with overseas volunteers. Involving the business community will give younger generations the opportunity to train leaders, which is the best way to invest in people. Under the new charter, the Japanese government is encouraging use of ODA money as a catalyst, so this sort of arrangement would be well-advised.

Conclusion

I have considered the prospects for Japan-U.S. development cooperation in Asia and some of the issues that will need to be addressed to make it succeed. Japan and the United States have different types of soft power, and the strengths and weaknesses of the two countries' government, business, and civil sectors also differ. Pulling these disparate elements together in a partnership to promote inclusive growth in the region will not be a simple undertaking. If we hope to achieve this, the most urgent task at hand is developing the human resources capable of leading the process.

Through joint cross-sector efforts by Japan and the United States in the field of social innovation, we will be able to enhance inclusive growth in developing Asian economies, create a new format for U.S.-Japan cooperation in pursuit of collective impact, and deploy this cooperation as a form of shared “soft power” in Asia. We will need to examine the strengths and limitations of various actors in both countries—including aid institutions, companies, the civil sector, social enterprises, and social investors—and match their strengths and weaknesses appropriately. Where do we start? By putting together concrete projects for collective impact and fostering leaders capable of advancing such cross-sector endeavors – people who have empathy, respect diversity, and are able to exert adaptive leadership.