KDI-TAF 2016

Asian Approaches to Development Cooperation

Partners in Asian Development Cooperation: The Role of the NGOs and the Private Sector

edited by

Anthea Mulakala

KDI

The Asia Foundation

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Preface

Contemporary development cooperation discourse speaks of a global partnership amongst diverse actors, forged to address the world's pressing challenges. The sustainable development goals create a framework for concerted global action in which governments, nongovernmental organizations (NGOs), the private sector, and citizens all play a role. In the Asian context, the traditional state-led model of development cooperation continues to evolve, making space for multi-stakeholder partnerships that engage all of these actors.

Since 2010, the Asian Approaches to Development Cooperation series — hosted jointly by the Korea Development Institute (KDI) and The Asia Foundation (TAF) — has provided a forum for Asian officials, experts, policymakers, and practitioners of development and South-South cooperation, the better to explore and debate ways of confronting the challenges and opportunities that the region faces. In the annual dialogues and resulting publications, participants from Asia and beyond have shared their experiences, strategies, and actions in addressing contemporary concerns ranging from climate change to inclusive growth. In 2016, the series focused in on the role of Asian civil society and the private sector — the so-called "non-State actors" — as partners in development and South-South cooperation.

The increasing heft of Asian providers like China, India, and Korea has also dramatically transformed the development cooperation landscape in the 21st century. These countries are home to NGOs that increasingly have extended their work outside of their own countries. Yet despite their growing influence, we know little about their contributions to development cooperation. In April 2016, government officials, NGO leaders, and development experts from more than 10 countries gathered in Beijing to discuss Asian civil society's deployment of programs for those in need in partner countries and their influence on global and national development policy. Several presentations and highlights from this dialogue have become chapters and case studies for this volume.

Few would argue against the critical role the private sector must play in achieving the sustainable development goals. Asia's remarkable rise has largely been attributed to the growth of the private sector and the vital role of markets. The private sector continues to drive growth and development, not only domestically but internationally. Whether through foreign direct investment, corporate social responsibility, or shared value, Asian companies have played a transformational role in the region's development. A second 2016 dialogue held in Delhi, India, brought together corporate representatives, government officials, policy specialists, and development practitioners from across Asia to discuss how private sector partners work with other actors to advance both business and social interests. The chapters and case studies that follow reflect the expanding developmental footprint and social responsibility of Asian businesses.

The collaboration between KDI and TAF rests largely on the vision and leadership of KDI's Professor Taejong Kim, and of the TAF representatives, Senior Vice President Dr. Gordon Hein and Ms. Anthea Mulakala, Director of International Development Cooperation, the volume's editor. We acknowledge their ongoing support and commitment to the partnership. We also extend thanks to The Asia Foundation offices in China and India, to the China Association for NGO Cooperation (CANGO), and Research and Information System for Developing Countries India (RIS) for hosting the 2016 dialogues, and to The Australian Department of Foreign Affairs and Trade (DFAT) for co-sponsoring the Beijing meeting. We would also like to thank individuals working at KDI and TAF who provided invaluable assistance: Mr. Yongjin Lee from KDI, and Mr. Dylan Davis, Ms. Kyung-sook Lee, Ms. Minjae Lee of TAF for their support in coordinating, researching, editing, and providing logistical support to the dialogue participants, authors, and editors. Finally, from BlueSky International, we thank Leila Whittemore for her meticulous editorial work and Suzan Nolan for her patient yet persistent project management.

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Anthea Mulakala is The Asia Foundation's Director for International Development Cooperation. She leads the Foundation's work on Asian Approaches to Development Cooperation, which focuses on how Asian countries are influencing the global development and aid landscape. From 2007 – 2014 she served as Country Representative in Malaysia, concurrently leading the Foundation's engagement on development effectiveness and development policy. Between 1991 and 2007, Ms. Mulakala worked for several multilateral, bilateral and nongovernmental organizations in Asia, including the World Bank (in support of Indonesian decentralization), South Asia Partnership (in support of NGO capacity-building in Sri Lanka and regional gender issues), and the United Kingdom's Department for International Development (DFID), where she led a large health project consortium in Bangladesh and served as DFID's Reconciliation and Development advisor in Sri Lanka. Ms. Mulakala has written and published on conflict dynamics in Asia, aid and development policy, social mobility in Asia, south-south cooperation, Indian development cooperation, and various issues in Malaysian political economy. She holds a B.A. Hons. in Political Science and English from the University of Western Ontario and a M.A. in International Affairs from the Norman Paterson School of International Affairs, Carleton University, Ottawa Canada. Ms. Mulakala is also co-founder of a Malaysian social enterprise which tackles the crisis of poor nutrition amongst Malaysian children.

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Shehzeen Choudhury is the Head of Communications at BRAC International, the world's largest development organization, dedicated to the empowerment of those living in poverty. She oversees all communications across the eleven countries in which BRAC operates. She previously worked in the fields of media, language, and communications in organizations such as Plan International, Voice of America, and Lift Up Asia. Shehzeen Choudhury received a B.A. in English Language and Literature from the University of Georgia and her M.F.A. in Creative Writing from the University of Maryland, College Park.

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Ji Lanlan serves as the Africa team leader in International Development Department of the China Foundation for Poverty Alleviation, one of the oldest and largest NGOs in China and one of the few working outside the country. She leads the development and implementation of programs in Ethiopia and Sudan, working in cooperation with both country partners and developing and maintaining long-term relationships with donors. She is also in charge of the International Volunteer Program in Southeast Asia, which has committed to expanding into Africa in the coming years. Having obtained a Bachelor's Degree in Political Science from the China University of Political Science and Law and a Master's Degree in International Development from the University of Manchester, she has over seven years of experience in policy advocacy and promotion of social entrepreneurship.

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Wu Peng is currently CFPA's Director of International Development Department. He has worked in the poverty-reduction sector for 18 years. From 1998 to 2000, he served as a program officer for labor-mobility and micro-finance projects at the China Western Human Resources Development Center. Since joining in CFPA in 2000, he has worked in three departments: as program officer, coordinator, and assistant director of the Microfinance Program Department, from 2000 to 2005; as director of the Monitoring Department, from 2006 to 2009; and as director of the International Development Department, since December 2009. During his time at CFPA, he has successfully managed several international development projects: building an overseas philanthropic hospital in Sudan; conducting research and holding a forum on China's international social responsibility; organizing a forum on Africa philanthropy; registering offices in Myanmar and Nepal; and starting a long-term philanthropic program in Sudan, Ethiopia, Myanmar and Nepal. In 2016, Wu Peng oversaw an international volunteer program that sent 10 Chinese volunteers to Myanmar and Nepal for a one-year term of service. Wu Peng has also pursued studies in the United States, Germany, Belgium, Thailand, and Mongolia.

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Haoyu Wang joined the China Foundation for Poverty Alleviation in September 2015. He is currently manager of the Smiling Children Program in Sudan and provides support to all aid and development programs in Africa. Prior to joining the Africa Team at CFPA, he oversaw the inaugural International Volunteer Program. Haoyu Wang graduated from George Washington University and has an academic background in international affairs and security policy.

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Mun Ching Yap is Executive Director of AirAsia Foundation, the philanthropic arm of the AirAsia Group, whose mission is to support social enterprise growth in ASEAN. She set up the foundation in 2012 with a vision of changing the way businesses contribute to society. The foundation gives grants to social enterprises, mentors them, and mobilizes AirAsia resources to grow their business. To date, the foundation footprint covers seven ASEAN countries. Before leading the foundation, Mun Ching Yap was the Head of Strategic Planning at AirAsia during the airline's rapid growth into ASEAN and China. She has been a journalist and has served as a special officer for the Malaysian Minister of International Trade and Industry.

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Zeng Lu manages the Asia Foundation Charity Sector and Regional Cooperation programs, aimed at strengthening China's burgeoning philanthropic culture and bolstering its global engagement. Projects include cultivating a favorable environment for China's charitable sector, encouraging effective grant-making from Chinese foundations, supporting responsible practices for Chinese investors doing business abroad, and building the capacity of Chinese NGOs for response to development challenges in Asia. Zeng Lu joined the Foundation in 2016 after five years as a Program Officer with the Australian Embassy in Beijing. During that time, she oversaw the aid program's environment and water portfolio in China, supported South-South Cooperation projects, and contributed to Australia's aid program in Southeast Asia. Previously, she worked at the World Bank in Beijing, dividing her time there between the China and Mongolia Sustainable Development Unit and the External Affairs Unit. Zeng Lu holds a BSc in Corporate Finance from the Shanghai Institute of Foreign Trade, as well as an MSc in International Development from University of Bristol in the United Kingdom. Additionally, she has been an Asia Global Governance Forum Fellow in India.

Abbreviations

ADB	Asian Development Bank
AIIB	Asia Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, South Africa
CAITEC	Chinese Academy of International Trade and Economic Cooperation
CECA	Comprehensive economic cooperation agreement
CFPA	China Foundation for Poverty Alleviation
CNY	Chinese yuan
CSO	Civil society organization
CSR	Corporate social responsibility
CSV	Creating shared value
DAC	Development Assistance Committee
DFID	United Kingdom Department for International Development
DPA	Development Partnership Administration
FDI	Foreign direct investment
FIDC	Forum for Indian Development Cooperation
FTA	Free trade agreement
G7	Group of 7 industrialised nations
GDP	Gross domestic product

GNI	Gross national income
GP	General practitioner medical doctor
GPEDC	Global Partnership for Effective Development
ICT	Information and communications technology
IDCPC	International Department of the Central Committee of the Communist Party of China
IFC	International Finance Corporation
IMF	International Monetary Fund
INR	Indian rupee
IT	Information technology
JICA	Japan International Cooperation Agency
KOICA	Korea International Cooperation Agency
LDC	Least-Developed Countries
LED	Light-emitting diode
LOC	Line of credit
MEA	Ministry of External Affairs
MOCA	Ministry of Civil Affairs
MOF	Ministry of Finance
MOFCOM	Ministry of Finance and Commerce
MOU	Memorandum of understanding
NGO	Nongovernmental organisation
ODA	Official development assistance

ODI	Overseas direct investment
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing power parity
PRIA	The Society for Participatory Research in Asia
R&D	Research and development
RMB	Chinese renminbi
SASAC	State-Owned Asset Supervisory and Administrative Commission
SDG	Sustainable Development Goal
SOE	State-owned enterprise
SSC	South-South cooperation
TAF	The Asia Foundation
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States (of America)
USAID	United States Agency for International Development
USD	United States dollars
WTO	World Trade Organization
3TG	Tin, tungsten, tantalum, gold

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Introduction

From State-Led Development Cooperation to State-Facilitated Partnerships for Development Cooperation

By
Anthea Mulakala

As Asian development cooperation expands in scale and scope, civil society organizations (CSOs) and private-sector companies have assumed larger roles, with significant impacts in addressing both global and community challenges. While the private sector has long played a role in trade and economic cooperation, often as implementers of large-scale infrastructure projects, until relatively recently, Asian CSOs have had little international engagement. This collection of case studies — drawn from a dialogue series on Asian Approaches to Development Cooperation organized by the Korea Development Institute and The Asia Foundation — reveals the less-known side of Asian development cooperation. While there is growing publicity, scrutiny, and awareness about large-scale Chinese, Indian, Korean, and Japanese infrastructure projects across Asia, less is known about what Asian CSOs and private-sector companies have contributed to the region's development challenges — and how, in doing so, they have begun to redefine Asian-led approaches and practices in development cooperation.

Historically, nation-states initiated and led most Asian development cooperation and South-South cooperation programs. These approaches evolved during the 20th century, as many countries in the region gained independence from former colonizers, struggled to rebuild from postwar situations, and faced acute poverty. Asia-to-Asia cooperation (or South-South cooperation) aimed to promote solidarity, collective self-reliance, and cooperation (Kumar, 2008). It went far beyond monetary aid, encompassing trade, political, and military support, as well as training, education, and cultural exchange.

Strong developmental states in East Asia have limited the evolution of civil society even as domestic actors. In Japan, Korea, and China, CSOs began to emerge as these countries industrialized, globalized, and underwent domestic political reform. Korean nongovernmental organizations (NGOs) found space for domestic policy advocacy and service delivery after Korea's democratization in 1987 (Lee and Lee, 2016). China's planned economy from the 1950s through the 1970s left little room for CSOs to play a role (Zhang, 2003). Similarly, Japan's developmental state in the 1960s and 1970s focused on industrialization and rapid economic development, while constraining citizen and social activism (Hirata, 2002). Early civil society "going-out" efforts chiefly engaged with regional humanitarian crises. For example, Japanese CSOs responded to famine in Indochina in the 1970s, and South Korean NGOs provided services and technical assistance to North Korea after the Korean War (Hirata, 2002; Snyder, 2004). In China, social organizations such as the China People's Association for Friendship with Foreign Countries played a foreign policy role in the 1960s and 1970s (Zhang, 2003). Overall, CSO engagement in development cooperation remained limited in scale and scope.

South Asia saw a somewhat different evolution. India and Bangladesh, for example, have longstanding, vibrant CSO sectors that have contributed to national development for decades. The Indian state has long advocated for a partnership with civil society to address the country's welfare and social development needs (ADB, 2009). Bangladeshi NGOs emerged to provide rehabilitation and services after the country's war of independence in 1971 (Zohir, 2004). BRAC, Bangladesh's largest NGO, consistently ranks first as a world leader in sustainability, innovation, and impact (NGO Advisor, 2017). In both cases, the national governments have relied on domestic CSOs to complement government services.

The pivotal condition enabling Asian CSOs to engage (or not) in external development cooperation seems to hinge on state facilitation. Both Japan and Korea are members of the Organisation for Economic Cooperation and Development Development Assistance Committee

(OECD DAC), which encourages diverse partnerships for official development assistance (ODA). In both countries, government support for NGO partnership in overseas aid gave an impetus to growth in the NGO sector (Hirata, 2002; Lee and Lee, 2016). The Korean government has funded 183 of the country's NGOs with ODA since 1995. In 2015, KOICA channeled 7 percent of its budget through NGOs (see Kim in this volume). Partnership with NGOs is a newer concept in China, which currently has 662,000 NGOs but only 516 participating in international affairs (see Yao in this volume). However, China has now recognized NGOs as important partners in its SSC. In 2015, it announced establishment of the South-South Cooperation Aid Fund (SSCAF); this has a current (2017) value of USD3 billion (Xinhua, 2015). Chinese CSOs may apply to this fund for their programs in other countries. These measures demonstrate a facilitative and supportive regulatory and funding framework for CSO engagement abroad.

Indian CSOs have not figured prominently in their country's official SSC, largely because India has preferred state-to-state relations (Mawdsley and Roychoudhury, 2016) and has a restrictive regulatory framework for CSOs. The exception is in service delivery. Where the Indian state has enabled NGOs to work outside the country — for example by engaging the Self-Employed Women's Association (SEWA) in Afghanistan for women's economic-empowerment programs — positive impacts have followed (Indian Express, 2014). In terms of policy dialogue, India established the Forum for International Development Cooperation (FIDC) in 2014 to engage the government, universities, and CSOs on Indian SSC priorities. Beyond these state-facilitated partnerships, Indian CSOs, while vibrant and influential domestically, have limited activities outside India.

Asian private-sector companies and corporations (often state-owned or government-linked) have played a significant role in Asian-led economic cooperation for decades. Public-private partnerships, often facilitated by Asian states, have supported partner countries in developing infrastructure and extracting resources. For example, since 1987, Korea's Economic Cooperation and Development Fund (EDCF) has committed USD13.1 billion to 53 countries with 373 projects. Most of these projects aim to develop the transport sector in Asia, and are implemented in cooperation with Korean companies (Lee, 2017). Similarly, the line of credit (LOC) is India's fastest growing cooperation instrument, used to forge public-private partnerships (PPPs) in partner countries. The value of Indian LOCs exceeded USD 40.108 billion, reaching 66 countries in 2014-2015 (Saxena, 2016). Across Southeast Asia, Chinese companies have increased their stake in infrastructure development, particularly in investment, transport and real estate (Cheok, 2017).

Alongside the massive infrastructure investments, Asian-born companies such as AirAsia, Tata Group, Samsung, LG Electronics, and Alibaba have altered traditional ways of doing business, bringing new technologies and innovation to markets, and creating additional jobs and opportunities that have brought millions out of poverty. This volume explores this newer face of the Asian private sector's social investment in Asia.

Asian government facilitation has helped to promote socially-responsible corporate investing. Chinese chambers of commerce and industry associations have developed standards of social responsibility for Chinese engineering contractors, requiring member companies to balance resource development with environmental protection and social development in partner countries (Liang, 2016). In 2013, India introduced a law requiring companies with an annual profit of 10 billion rupees or more to contribute 2 percent of their profits annually to corporate social responsibility (CSR) efforts. This law has the potential to unlock USD 2.5-3 billion in funding from around 16,000 eligible companies for social-impact projects (Ghuliani, 2013). So far, the law applies only in India, but it may expand internationally in the future.

Like the CSO sector, the role of the private sector in Asian-led SSC has evolved. As Asian companies become part of the "development cooperation" equation with partner countries, they increasingly look for ways to improve the social impact of their investments. Business is no longer seen as peripheral to discussions on how to reduce poverty and create positive community impact. Rather, Asian companies have expanded their exploration of responsible investment, corporate social responsibility activities, and shared-value strategies through their foreign direct investment (FDI) and SSC. Shared-value strategies have both social and business value, advancing economic competitiveness while at the same time addressing social and development challenges.

This volume presents analyses and case studies that reveal how Asian CSOs and the private sector have addressed development challenges in partner countries, forging innovative partnerships and restyling the form and practice of Asian development cooperation as these partnerships evolve.

Yao Shuai from the Chinese Academy of International Trade and Economic Cooperation, a division of the Ministry of Commerce, explains how the Chinese government has created an enabling funding and regulatory environment for Chinese NGOs to expand their role in Chinese South-South cooperation. She also provides recommendations on how to strengthen this partnership. Wu Peng, Ji Lanlan, and Haoyu Wang's case study of the Abu Ushar Friendship Hospital in Sudan complements Yao's chapter, demonstrating from the perspective of China's leading CSO, China Foundation for Poverty Alleviation (CFPA), how China leverages the resources and skills of the government, CSOs, and Chinese state-owned enterprises to strengthen its bilateral partnership with Sudan.

Jin-kyung Kim, from the Korea International Cooperation Agency (KOICA), reflects on the 20-year partnership between the Korean government and NGOs in development cooperation. She lauds the impacts of Korean NGOs while raising concerns that a complicated Korean regulatory framework and limited NGO capacity may constrain future engagement. Zeng Lu, describes how an international NGO, The Asia Foundation, has helped Chinese CSOs to overcome similar capacity challenges, specifically through the development of a tailored manual for Chinese CSOs working overseas.

Kaustuv Kanti Bandyopadhyay argues that Indian civil society has the potential to contribute far more to Indian SSC than it does presently, if the Indian state would more effectively engage and enable Indian CSOs. This obstacle, he argues, has hindered the overall advancement of Indian SSC. Shehzeen Choudhury profiles BRAC's remarkable story, highlighting how Bangladesh's largest and most-renowned NGO managed to expand globally through a financially sustainable business model and strategic governance arrangements.

The chapters and case studies on Asian private-sector engagement reveal that when companies invest in communities and seek social impact through their business ventures, this enhances their financial returns and/or expands their market opportunities. Guo and Duan describe the phenomenal escalation in Chinese overseas investment in recent years. They highlight a case in the Chinese palm oil industry in Indonesia to show how Chinese companies have come to recognize the relationship between positive community engagement and sustainable investment.

The private-sector case studies that follow feature companies striving to deliver social impact in ways which align with their core business. Yap describes how Air Asia, the world's number one low-cost airline (Skytrax, 2017), has leveraged its brand identity and business assets to enhance the quality and impact of its community engagements. Vasudevan and Reid profile how Cisco Systems created the Women Rock-IT program, encouraging young women in India to pursue information technology (IT) career paths by exposing them to inspiring and successful role models. While addressing the global challenge of women's underrepresentation in computer science, physics, and engineering, the program also supports the development of a skilled cadre of women potentially employable by Cisco.

Jeon and Uchida each present a case study on how LG Electronics and Ricoh respectively have customized their technology for social good. Jeon explains how LG smart phones proved indispensable during the Ebola outbreak in 2014 and Nepal earthquake in 2015. Uchida describes how Ricoh developed appropriate technology to enhance teaching and learning in rural Indian schools. These case studies provide useful insights for other companies who may be struggling to find the strategic sweet spot between social impact and business returns.

The increasing participation of Asian CSOs and private sector adds new contours and possibilities to the landscape of Asian-led development and South-South cooperation. This volume explores these contours, revealing several promising trends for the future of Asian development cooperation. Notably, when states decentralize some of their cooperation efforts to include CSOs, governments can increase accountability to domestic- and partner-country stakeholders. When the private sector aligns business interests with corporate social responsibility goals, it leverages far more than money to create impact. Furthermore, when the private sector collaborates with CSOs, projects often deliver more innovative and sustainable solutions.

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CHAPTER 1

Chinese CSO Engagement in China's Foreign Aid: Present and Future

By
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Abstract

This article assesses the present and potential role of Chinese CSOs in foreign aid. It first examines the general outline and management structure of Chinese aid. Second, the author analyzes opportunities for new government-CSO partnerships in foreign aid, identifying four facilitators: (1) the formation of a favorable and sound policy environment; (2) a growing willingness among more mature CSOs to engage in foreign aid; (3) the "going out" or overseas expansion of Chinese enterprises, which provides a platform and further reason for CSOs to operate internationally; and (4) the foundation created by past instances of successful cooperation. Finally, the author provides recommendations from the perspectives of both CSOs and the government for strengthening their future cooperation on development issues.

1. Introduction

China's foreign aid[1] (development cooperation) possesses distinct characteristics, in particular its historical emphasis on a government-to-government (G2G) approach. However, with changes in the international development landscape and the domestic rise of Chinese civil society organizations (CSOs), the traditional, government-dominated approach has begun to shift towards one that involves more actors. Until now, the Chinese CSO engagement in foreign aid has remained in an embryo stage; however, with an enabling policy environment and government support, new partnerships between Chinese CSOs and the government have emerged. These have the potential to reshape China's foreign aid in the post-2015 era and fulfil the SDGs more effectively.

This article first seeks to assess the present role of Chinese CSOs in foreign aid, examining the general outline of that aid and its management structure. Second, the author analyzes opportunities for new government-CSOs partnerships in foreign aid, identifying four facilitators: i) the formation of a favorable and sound policy environment; ii) a growing willingness among more mature CSOs to engage in foreign aid; iii) the "going out"[2] or overseas expansion of Chinese enterprises, which provides a platform for CSOs to operate internationally; and iv) the foundation created by past instances of successful cooperation. Finally, the author provides recommendations

1 In China's official context, "foreign aid" refers to "development cooperation", which has been used to differentiate outgoing aid from incoming aid since China started to provide aid to other countries in 1950. The Chinese Ministry of Finance and Commerce (MOFCOM) defines "foreign aid" as "activities supported by official foreign aid funds to provide partner countries with economic, technical, material, human resources and management supports" (MOFCOM, 2014). In this chapter, the writer uses the terms "foreign aid" and "development cooperation" interchangeably.

2 Since the late 1970s, the Chinese government has built its economic modernization strategy on "welcoming in" (*Yin jinlai*) inbound foreign direct investment (FDI); beginning in the late 1980s, the State Council of the People's Republic of China complemented this with a "Going-out" (*Zou chuqu*) strategy that promoted outward FDI by Chinese enterprises (Nash, 2012).

from the perspectives of both CSOs and the government for strengthening their future cooperation on development issues.

2. Chinese CSOs in Foreign Aid: Background and Overview

China's foreign aid has a long history, beginning with the provision of goods and materials to the Democratic People's Republic of Korea (DPRK) and Vietnam in 1950 (Shi, 1989). During the more than six decades since then, Chinese aid became part of South-South cooperation within the international development community, based on non-interference and mutual-benefit principles among developing countries. This section will review the government-to-government (G2G) approach long followed by China and the beginnings of CSO engagement as a complement to it. It will show how Chinese CSOs have already started on the path toward internationalization.

China's foreign aid policy rests on both its own national capacity and the demands of partner countries. In 1964, the Chinese government declared the Eight Principles for Economic and Technical Assistance to Other Countries (the Eight Principles for short)[3] — the guiding principles of China's foreign aid, centered around equality, mutual benefit, and no-strings-attached precepts. China has continued to enrich and develop the Eight Principles throughout the history of its foreign aid, in response to the constantly changing international architecture and domestic conditions.

As mentioned in its two White Papers on Foreign Aid, China's

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3 Former Premier Zhou Enlai outlined the Eight Principles during his state visit to Ghana in 1964. They include equality and mutual benefit; never attaching any conditions or asks in return for any privileges; helping to lighten the burdens of partner countries as much as possible; assisting partner countries to gradually achieve self-reliance and independent development; striving to develop aid projects that require minimal investment but yield rapid results; providing the best-quality equipment and materials; in technical assistance, ensuring that partner-country personnel fully master specific techniques; no special demands or amenities for Chinese experts (IOSC, 2011).

foreign aid financial resources fall into three main categories: grants, interest-free loans, and concessional loans. The first two come from state finances; the Export-Import Bank of China provides concessional loans, with interest-rate subsidies funded by the government since 1995. The decision-making power for foreign aid in China lies with the central government, while the Ministry of Commerce (MOFCOM) has State Council authorization to oversee foreign aid (IOSC, 2011/2014).

Over the past 60-plus years, China has provided 166 countries and international and regional organizations with approximately RMB 400 billion (equivalent to USD 63.5 billion) and provided training to over 12 million professionals from other developing countries, across various sectors. China has also dispatched over 600,000 aid workers, over 700 of whom have laid down their precious lives in aiding the development of other countries; given medical assistance to 69 countries; and aided more than 120 developing countries in realizing the Millennium Development Goals. On seven occasions, China has unconditionally canceled interest-free loans to heavily-indebted and least-developed countries (IOSC, 2016a; IOSC, 2016b; Xi, 2015). From 1950-2012, China provided a total of RMB 345.63 billion (USD 54.86 billion) in foreign aid, including RMB 138.52 billion (USD 21.99 billion) in grants, RMB 83.8 billion (USD 13.30 billion) in interest-free loans, and RMB 123.31 billion (USD 19.57 billion) in concessional loans (IOSC, 2011/2014). According to China's Ministry of Finance (MOF), the total Chinese foreign aid budget in 2017 comes to RMB 18.76 billion (USD 2.98 billion), 19.8 per cent higher than actual expenditure in 2016 — an indicator of the continuing increase in the scope of future foreign aid.[4]

(1) Management of CSOs in Foreign Aid

At present, the Chinese government has no special institutional system or strategy documents specifically designed for civil societies involved in foreign aid. There is also no policy to provide norms and guidance for CSO foreign aid participation. Currently, the management of such engagement mainly relies on three institutional frameworks: i)

4 This figure does not include the capital of concessional loans (MOFCOM, 2017).

the foreign assistance management system, led by the Ministry of Commerce; ii) the civil societies international exchange system, led by the International Department of the Central Committee of the Communist Party of China (IDCPC); iii) the civil societies management system, led by the Ministry of Civil Affairs (MOCA).

IDCPC is in charge of party-to-party exchanges and cooperation. Within this purview, Chinese CSOs obtain support from IDCPC to conduct technology transfers, training programs, and knowledge-sharing with other developing countries at both the civil and political party levels. At the same time, since 1988, MOCA has required domestic registration from all Chinese CSOs (Zheng, 2015), formulating and imposing a series of regulations on the administration of social organizations.

Although the management of CSOs in China thus remains somewhat fragmented, MOFCOM plays the major role when CSOs go abroad to deliver development assistance. In 2015, MOFCOM promulgated the Measures for the Qualification and Accreditation of Enterprises Implementing Foreign Aid Projects (Trial), which includes “enterprises and other organizations that can undertake the tasks of the Chinese government's foreign aid projects” (MOFCOM, 2015). To a certain extent, these Measures provide policy support for Chinese CSOs to apply for implementing aid projects.

To date, China has not fully opened official foreign aid budgets to CSOs, nor does it have any specific channel for them to apply for aid monies. However, this may change with the creation of the South-South Cooperation Assistance Fund, a commitment of USD 3 billion in total, initiated by President Xi Jinping at the UN Sustainable Development Summit on 25 September 2015 with a pledge of with USD 2 billion; he then made an additional contribution of USD 1 billion at the Belt and Road Forum for International Cooperation in Beijing on 14 May 2017. Part of the Fund will facilitate Chinese CSO engagement abroad (MOFCOM, 2016), which in turn may lead the Chinese government to strengthen the CSO role in implementing foreign aid projects.

(2) CSO Roles in Chinese Foreign Aid

In China, the term “CSO” is used frequently instead of “NGO,” since both the term and the phenomenon of CSOs came first. Civil Society refers to the sphere that lies between the state and private sector; it includes all non-state actors and non-market organizations, such as social enterprises. CSOs feature associations around which society voluntarily organizes itself and where citizens connect with each other, representing a wide range of interests and values other than profit. Compared with the term NGO, CSO provides a much broader spectrum, including NGOs, nonprofit organizations (NPOs), foundations, and so on; it has therefore become more prominent in Chinese discourse, although the terms CSO and NGO may still be used interchangeably.

Statistics from Ministry of Civil Affairs (MOCA) indicate that fewer than one hundred national civil organization existed in the 1950s through the 1960s. Since the “reform and opening up” policy of 1978, China has witnessed a rapid development of CSOs — in quantity, quality, scale, and range of professional fields. By the end of 2016, China had roughly 702,559 officially registered CSOs, representing an increase of 62.87 percent since 2009, covering fields such as industrial and commercial services, technology research, education, health, social service, culture, sports, ecological/environmental advocacy, law, religious organizations, agriculture and rural development, etc. (MOCA, 2017). However, the statistics of MOCA indicates that only around 600 of these engaged in international cooperation, accounting for less than 0.1 percent of the total (MOCA, 2015; MOCA, 2017). This suggests that an even smaller number of CSOs have specifically operated abroad. Therefore, the majority of Chinese CSOs actively engage in domestic interventions, while a limited number of them participate in foreign aid.

Generally speaking, Chinese CSOs could contribute to poverty reduction and sustainable development worldwide, but specific targeted programs in other developing countries for this purposes have yet to emerge. Currently, many Chinese CSOs are transitioning from domestic public welfare activities to operating abroad; from participating in foreign aid independently to undertaking official aid projects supported by the government. This transition demonstrates a more positive and active participation of CSOs in Chinese foreign aid.

Role as Implementers of Official Aid Projects

Aid policymakers in Beijing have already become aware of the importance of CSOs as a carriers of soft power,[5] and have gradually adjusted government-led foreign aid by actively guiding CSOs participation in aid projects, especially those addressing quality-of-life indicators and sectors covered by the SDGs, such as education, healthcare, protections for women and children, poverty reduction, disaster and humanitarian relief, climate change, food security, and so on. However, this also raises the question of how the government chooses its CSO partners in this connection, and how the organizations themselves juggle their priorities — identifying and responding to grassroots needs on the one hand, and increasing China's soft power on the other, both ongoing challenges shared by the Chinese government and CSOs. So far, CSOs mainly work as implementing actors in government-commissioned foreign aid projects. The first white paper on China's Foreign Aid, released in 2011, pointed out that China offers foreign aid in eight forms: complete projects, goods and materials, technical cooperation, human resource development cooperation, medical teams, emergency humanitarian assistance, volunteer programs, and debt relief (IOSC, 2011). Except for debt relief, CSOs have participated in all the other seven forms of aid project — particularly in emergency humanitarian assistance, human resources development cooperation, dispatch of volunteers and medical teams. For example, the China NGO Network for International Exchanges, China Association

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5 A country's soft power, according to Joseph Nye (2011), rests on three resources: "its culture (in places where it is attractive to others), its political values (when it lives up to them at home and abroad), and its foreign policies (when others see them as legitimate and having moral authority)." In the Chinese official discourse system, "soft power" especially emphasizes the importance of Chinese traditional culture accumulated from more than 5000 years of continuous civilization. The government considers Chinese CSOs as carriers of Chinese soft power, embodying and transferring Chinese culture and values to other developing countries.

for International Exchanges of Personnel, and other Chinese local CSOs provide training and seminars in MOFCOM "human resource development cooperation" aid projects for government officials, technical staff, and management personnel from other developing countries, transferring Chinese development experience.[6] Since 2005, the Chinese Young Volunteers Association (CYVA), under MOFCOM authorization, has dispatched young volunteers abroad for six-month to two-year service stints (UNDP and CAITEC, 2016) to provide services in language teaching, physical education, computer training, traditional Chinese medicine treatment, agricultural technology, art training, industrial technology, social development, and international relief for schools, hospitals, government agencies, farms, and research institutes of other developing countries (IOSC, 2014).

Role as Policy Consultants to the Government

The Chinese government also incorporates civil society into its policy advisory mechanism. In the processes of policy formulation, project management, foreign aid assessment and evaluation, and other relevant issues, MOFCOM will invite CSOs to participate in policy dialogues and exchanges of experiences. In some specific sectors, or for work in specific countries or regions, the government will also draw upon CSO expertise and field experience and request policy recommendations. For instance, the Response Mechanism for Emergency Humanitarian Relief and Aid included only governmental departments as members at its inception in September 2004. However, the Chinese government integrated the Red Cross Society of China (RCSC) in 2016.[7] Since RCSC has strong comparative advantages in disaster relief and humanitarian aid within global humanitarian networks (under the International Red Cross and Red Crescent Movement), its presence in the coordination mechanism could help the government build broader international partnerships and closer international coordination to make relief actions more rapid and

6 MOFCOM, internal research document, 17 February 2014.
7 MOFCOM, internal policy document, 3 April 2016.

effective.

Role Creating Links in Public-Private Cooperation Partnership

In implementing foreign aid projects, Chinese CSOs work closely with governmental agencies (those in Beijing, the Chinese Embassies in recipient countries, recipient governments, etc.), as well as Chinese enterprises and local CSOs in recipient countries. Chinese CSOs usually receive funding from both Chinese foreign aid monies and businesses for specific projects, implemented in partnership with local CSOs. Meanwhile, with China's increasing foreign investments, its companies have also indicated the need for Chinese CSO involvement in corporate charity work abroad.[8] Field observations suggest good preliminary results and a positive reception from local governments and residents. One such example is the Brightness Trip program, an innovation in China's aid modalities carried out as a partnership between the Chinese government and several CSOs and enterprises: since 2010, it has sent medical teams that provide free surgeries to treat eye diseases in Asian and African countries (IOSC, 2014). This program includes Chinese CSOs (such as the China Association for Promoting Democracy, the China International Exchange Association, the National Anti-Blind Technology Guidance Group) along with Chinese enterprises (Hainan Airlines and Anhui Foreign Economic Construction Company) and medical experts from Beijing Tongren Hospital, with the support of Chinese central and local governments (e.g., Hainan Province, which supported three separate medical trips to Cambodia). To date, the program has carried out over 1,800 cataract operations for patients in Zimbabwe, Malawi, Mozambique, Sudan and Cambodia, among others (Yang, 2017). In addition to providing free surgeries, the medical teams have also brought advanced medical equipment and technologies to local medical personnel.

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8 Personal communications and author interviews with local government personnel and residents, during field visits to Myanmar and Pakistan from 30 March through 5 April 2017.

3. Opportunities for New Government-CSO Partnerships in Foreign Aid

At present, Chinese CSO engagement in foreign aid remains scattered and narrowly distributed (Deng, 2013). Most CSOs structure aid delivery around point-to-point cooperation, which can lend itself to better effectiveness and efficiency. However, compared with Chinese enterprises — the traditional actors in foreign aid implementation — CSOs handle a smaller volume of projects and monies, with shorter periods, a relatively tiny scale, and a more limited influence on recipient countries.[9] Some Chinese scholars have characterized this as a state of "4 NOs": no permanent offices on the ground, no permanent staff abroad, no recurring projects, and no stable funding (Deng, 2013). Although the current situation offers many challenges, these issues have now caught the attention of the government; gratifyingly, the recent changes mentioned below have brought calls for a new government-CSO partnership to improve the effectiveness of Chinese foreign aid.

(1) Formation of a Favorable and Sound Policy Environment

China has evolved as a leading stakeholder in international development cooperation, as evidenced in the ground-breaking announcements by Chinese leaders at international meetings over the past three years, including the United Nations SDG Summit, the Paris Conference on Climate Change, the Johannesburg Summit of the Forum on China-Africa Cooperation in 2015, the Summit for Refugees and Migrants in 2016, and the Belt and Road Forum for International Cooperation in 2017. More specifically, China has committed to increasing its aid volumes and helping other developing countries implement the 2030 Agenda (Xi, 2015; Li, 2016). The long list of foreign aid commitments covers a large volume of developing finance, including projects related to quality of life, knowledge exchange and capacity-building, climate change, humanitarian issues, and

9 MOFCOM, internal communication, October 2016.

peacekeeping.

At present, China's foreign aid has entered a period of deepening reform and attained its highest priority ever among Chinese decision-makers. The central government established "The Central Leading Group for Deepening Overall Reform" in 2013; during its thirty-second meeting held in February 2017, it approved the "Implementation Opinions on Foreign Aid Reform" which announced its intent to "optimize the design of foreign aid strategy, improve the management of foreign aid funds and projects, reform the foreign aid management system, improve the comprehensive effect of foreign aid (CLGDOR, 2017)." This is the first time since 1978 that the central government has emphasized the strategic position of foreign aid. In fact, at the beginning of last year, the Chinese government had already signaled its intent to redefine this strategic design. The 13th National Five-Year Plan includes — for the first time — foreign aid policy as part of international responsibilities and obligations. The Plan states that "China will expand its foreign aid volumes and improve its aid modalities by providing more human resource training, consultation on development planning and economic policies, and increasing aid and cooperation in such sectors as technology and education, health, disaster prevention and reduction, environment improvement, wildlife preservation, poverty reduction and humanitarian assistance." It marks a historic step for China to link global goals with its national Five-Year Plan.

Government-CSO cooperation serves as one of the critical channels for China's global governance and foreign aid participation under the SSC framework. As the second largest economy in the world, China has become an indispensable partner in global efforts to support developing countries in the post-2015 era. Recent policy decisions reflect the determination of the country's leadership to respond to the world's expectations and accept global responsibilities. For effective implementation of the "deepening reform" and these recent commitments, China needs to "encourage civil society, philanthropic groups, and other stakeholders to play a bigger role" (MOFA, 2016). Furthermore, the popular "Belt and Road Initiative" (BRI)[10] takes the

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10 "The Belt and Road Initiative" (abbreviated BRI), consisting of two main "connection of people to people" as one of five cooperation priorities[11] (NDRC *et al*., 2015). Thus the Chinese government hopes to see CSOs play more active roles in furthering both the BRI and the 2030 Agenda, from a conviction that CSOs provide a good vehicle for building consensus and improving aid effectiveness across the countries connected through the BRI.

(2) As Chinese CSOs Mature, They Grow More Willing to Engage in Foreign Aid

A new model of philanthropy has originated with the CSOs themselves, utilizing the Internet as the carrier of public-interest, social-pool fundraising. This model has now reached a mature state in China; the charitable donation process of Chinese CSOs has become more transparent, more flexible in its operation, and more diversified and innovative in the forms it can take. In the era of "Internet+", China has come to the forefront of the world with advantages in big data, cloud computing, enormous logistics support, and electronic payment systems, as witnessed in the growing usage of mobile phone and Internet to promote social charity participation in China. By the end of 2016, the number of netizens in China had reached 731 million, of which mobile phone netizens accounted for 95.1 percent; 32 percent used the Internet to take active part in social charity activities, and the relevant user scale reached 238 million (CNNIC, 2017). Therefore, the rapid development

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components — the land-based "Silk Road Economic Belt" and oceangoing "21st-century Maritime Silk Road" — is an important platform for China to achieve all-around open diplomacy in the new historical conditions and to promote mutual benefit and "win-win" economic engagement. It is the largest public project that China has offered the international community, and one of the most popular international cooperation efforts in the world. So far, over 100 countries and international organizations have expressed their willingness to support and join the initiative since President Xi Jinping proposed the idea in 2013. China has signed relevant cooperation agreements with more than 40 countries and international organizations (SIC, 2017).

11 The Five Cooperation Priorities of the BRI: policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people connections (NDRC *et al*., 2015).

environment of China could provide a rich soil for increased citizen awareness of and participation in social charity.

Although these "going-out" CSOs have made a relatively late entry in the process of internationalization, they have become an important driving force in Chinese society and have matured as key players in China's economic and social development; such domestic experiences equip them to operate effectively abroad. For example, the China Youth Development Foundation (CYDF) launched Project Hope[12] in 1989 — it has become one of the most influential philanthropy brands for rural education in China, through building village Hope Primary Schools, training teachers, aiding pupils, and so forth. Based on this successful practice in China, CYDF implemented Project Hope in Tanzania, Kenya, Rwanda, Burundi and Namibia between 2010 and 2015, and built or expanded 23 Hope primary schools in these African countries, which helped over 10,000 children get an education. At the same time, considering the local climate context and demands, CYDF also equipped these schools with solar lighting, power supply system and the rainwater collection and water purification system. The project plans to donate sufficient funding to build about 1,000 schools across Africa (Mu, 2015).

In more recent years, especially since the Nepal earthquake in 2015, the enthusiasm of Chinese CSOs for participation in overseas disaster relief has run to an unprecedented high. According to incomplete statistics, there are more than 700 private rescue teams in China, over 50 of them going abroad for emergency humanitarian aid in 2016.[13] During the 2015 earthquake relief efforts in Nepal and the Ecuadorian earthquake in 2016, many Chinese CSOs — including the Chinese Red Cross, the China Foundation for Poverty Alleviation, the Amity Foundation,[14] and China Blue Sky Rescue Team (BSR) (Xinhua, 2015)

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12 By 2015, Project Hope had raised a cumulative RMB 11.829 billion for rural education, aided 5,358,509 students, built 18,975 Hope Primary Schools, and trained 96,820 teachers (CYDF, 2016).

13 Personal communications and author interviews with Chinese CSO personnel on 11 July 2017.

14 The Amity Foundation is an independent Chinese voluntary organization, founded in 1985 on the initiative of Chinese Christians led by Bishop K. H. Ting. It works to

— sent more than ten rescue teams to the affected areas; some of them cooperated with UN agencies and related international organizations to carry out cross-border emergency relief, resettlement and rehabilitation, and reconstruction work. For example, Amity Foundation assigned its emergency rescue team to the disaster-hit area of Ecuador in 2016, and helped with the relief operations alongside ACT Alliance and CSOs from both sides of the Taiwan Strait and Hong Kong (Amity Foundation, 2017). BSR dispatched a team of 83 volunteers to Nepal in 2015, conducting search and rescue tasks, information screening, medical assistance, and water-supply efforts, as well as epidemic prevention under the international coordination led by the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA).[15] However, some of these "going-out" rescue teams still lack the capacity to implement projects abroad due to their limited knowledge of local contexts, which has also given rise to negative impacts, such as no contacts or partners in the field, unordered relief actions, mismatches between disaster response and local emergency needs, and overlapping contributions.[16]

(3) "Going out" by Chinese Enterprises Provides a Platform for the Internationalization of CSOs

China's foreign aid has come to play a more active synergizing role between aid, trade and investment, and has served as an instrument of support for the "going-out" strategy,[17] i.e., foreign direct investment via Chinese enterprises. China has long valued the importance of trade with

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promote education, health, social welfare, community service, community development, environmental protection, disaster relief, poverty reduction and disaster relief in China and other parts of the world (Amity Foundation, 2017).

15 Personal communications and author interview with BSR team leader on 11 July 2017.

16 Personal communications and author interviews with Chinese CSO personnel on 11 July 2017.

17 The Chinese government formally established the "Going-out" strategy in the 10th National Five-year Plan in 2001, supporting and encouraging Chinese enterprises to engage in foreign direct investment (CPPCC, 2001).

and investment in developing countries as a means of fostering their sustainable development. For five consecutive years (2008-13), China served as the largest export market of the least-developed countries, buying 23 percent of their exported commodities (IOSC, 2014). In September 2010, China offered zero-tariff treatment on 95 percent of taxable items from those least-developed countries with established diplomatic relations with China (IOSC, 2010); this scope expanded to 97 percent in November 2011 (Hu, 2011). China also responded actively to the World Trade Organization's (WTO's) Aid for Trade initiative — strengthening its assistance to other developing countries in infrastructure construction and production capacity-building, supporting their involvement in the multilateral trading system, and providing training for their economic and trade professionals. Chinese investment in developing countries has also increased rapidly in recent years, surpassing USD 100 billion for the first time in 2013 to reach USD 107.8 billion. 85.1 percent of these investments went to developing countries, an increase of 31 percent from the preceding year (MOFCOM *et al.*, 2014). China has also committed to raising its investment in the least developed countries to USD 12 billion by 2030 (Xi, 2015). Moreover, the BRI has realized a deeper economic integration between China and the linked countries. During the co-construction of the BRI to date, China's enterprises have established 56 economic and trade cooperation zones in more than 20 countries along the route (for a total investment of more than USD 18.5 billion), and have created nearly USD 1.1 billion in tax revenues and 180,000 jobs (Jiang, 2017).

The success of Chinese enterprises in "going out" could provide valuable experience for Chinese CSOs in achieving their own internationalization strategy. More specifically, the growing scale of Chinese foreign investment might provide Chinese CSOs an opportunity to play to their own advantages, broadening services and innovative approaches by creating an enabling environment on the ground of partner countries. For instance, China Foundation for Poverty Alleviation (CFPA) has built more than 3000 water cellars in China; in 2016, with funding of RMB 7.5 billion from a successful "going-out" firm, Xuzhou Construction Machinery Group, it began a similar water-cellar project in Africa. This aims to be a demonstration project for developing countries dealing with long-term drought, introducing advanced Chinese water-cellar technology and promoting rainwater collection and storage technology in Africa. To date, the project has completed 41 water cellars in five Ethiopian villages, giving more than 4000 local teachers and students access to clean drinking water (TNG, 2016). Closer cooperation between Chinese CSOs and enterprises around development cooperation could become the trend of the future, the preferred partnership for conducting corporate charity overseas. Especially for countries along the BRI, the government could provide policy guidance and financial support for this partnerships. A pattern of interaction led by the government, with civil-society promotion and business participation, could help propel the Chinese and world economy toward in-depth integration, mutual benefit, and "win-win" cooperation scenarios.

(4) Past Successful Cooperation Sets a Foundation for New Partnerships

As the examples in Section One above show, past collaboration between the government and CSOs on foreign aid has achieved positive results, despite the relatively small scale of projects; this suggests the potential and feasibility of upgrading to a broader, more systematic partnership. Priority sectors highlighted in the Five-Year Plan show that China's aid strategy — moving beyond the past focus on more strictly economic cooperation and other financial flows — has now begun to emphasize knowledge exchange and mutual learning at the local community level (CPPCC, 2016). Traditional donors value CSOs as partners for their grass-roots knowledge of needs in developing countries, expertise in specific sectors, knowledge of public opinion, and their experience in fighting poverty and environmental degradation, improving public governance, and making international policies more development-friendly (OECD, 2012). The Chinese government could learn from much traditional donors about partnering with CSOs, especially as a supplement to government awareness in priority sectors, adding perspectives on financial and human resources, knowledge, and innovation. The traditional — one might say stereotypical — perception of Chinese aid has focused on its historically top-down, government-to-government character and its emphasis on infrastructure-building (RAND, 2013). A closer partnership between government and CSOs could help increase domestic public participation in and understanding of foreign aid, as well as improving China's image internationally and maximizing benefits directly for people at the grassroots level — assuming, that is, that CSOs can engage in positive ways. This also raises questions for both government and CSOs about continuously increasing capacities in foreign aid management and implementation — especially the capacity to target local demands in partner countries.

MOFCOM has incorporated CSOs into its overall policy-making process, and emphasized coordination and supervision by CSOs at the local level of partner countries. It has also launched some trial aid programs based on government-CSO cooperation, including a few provincial governments in border areas supporting cooperation between Chinese CSOs and those in partner countries (e.g., the Yunnan provincial government supports Chinese CSOs partnering with local counterparts in aid delivery to Myanmar[18]). However, such joint approaches and their effects still require exploration, assessment, and continuous improvement in order to refine future practices.

4. Steps Forward: The Government and CSOs Working Together

Based on the foregoing analysis, we see increasingly more open and proactive attitudes on both sides of the government-CSO partnership for deepening and broadening their cooperation on foreign aid. The following recommendations may provide both some points of reference for successful and meaningful collaboration.

18 Interviews and personal communications with counterparts during author's field visits in Yunnan province and Myanmar, 28 March-2 April 2017.

(1) Recommendations for Chinese CSOs on Foreign Aid Engagement

Make full use of current cooperation initiatives. CSOs should take ownership of providing suggestions or project plans to the government, instead of simply undertaking tasks assigned from that quarter. The South-South Assistance Cooperation Fund and a growing aid budget could provide increasing financial support to CSOs; meanwhile, a series of Chinese official commitments, such as the "Six 100 Projects Initiative"[19] for Africa or national foreign policies such as the BRI, could offer CSOs the chance to play larger roles, given their innovation in aid modalities and flexibility in fund-raising and project implementation (as outlined in the first section). Therefore, CSOs should proactively propose feasible aid plans or programs to the government, and take more responsibility in global governance of such efforts.

Strengthen capacity-building and management ability in foreign aid projects. Chinese CSOs should enhance knowledge- and experience-sharing with other foreign CSOs and international NGOs, addressing organizational structure, policy frameworks, project management, and transnational affairs management, among other relevant topics. In each phase of project management, CSOs should conduct baseline research on the ground in order to fully understand and respect the local realities — including laws, political and economic situations, culture, religions, and so on.

Take full advantage of CSOs to improve the on-the-ground effectiveness of foreign aid. Chinese CSOs should implement more small-scale and targeted projects at the community level — effectively reaching deeper into the grassroots — and so ensure the demand-driven character of each project, based on a formal process of field research.

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19 At the High-Level Roundtable on South-South Cooperation on 26 September 2015, President Xi Jinping committed to implementing the "Six 100 Projects Initiative" over the next five years, in support of developing countries. This will include 100 poverty-reduction programs, 100 agricultural cooperation projects, 100 trade-promotion and aid programs, 100 environmental protection and climate change programs, 100 hospitals and clinics, and 100 schools and vocational training centers.

Local participation and capacity-building are also crucial. Sustainable self-help and homegrown development in partner countries should be one of the main objectives of CSO projects.

(2) Recommendations for the Government

Establish an enabling policy environment. The Chinese government should formulate a policy or strategy on working with CSOs in aid delivery, combining the current fragmented institutional policies among MOFCOM, MOCA and IDCPC. This would assure an enabling legal environment and policy coherence, within which both CSOs and different governmental actors could fulfill their obligations, as well as coordinate effectively with each other. To strengthen collaboration with Chinese development CSOs, the government should set a roadmap of strategic goals, guiding support to local civil society across Chinese aid modalities. In particular, this roadmap should clarify the roles of CSOs in promoting national or international initiatives, such as the BRI, the 2030 Agenda for Sustainable Development, the Six 100 Projects, and so on. Updated registration and reporting requirements, as well as an effective CSOs evaluation mechanism, will contribute to a more operational and systematic policy environment.

Create an administrative body for CSO partnership, and clarify distribution. China should have a top-down organizational system specializing in CSO aid delivery. To better play its lead managerial role from Beijing, MOFCOM should set up a department specifically charged with CSO policy, regulations, and supervision of development cooperation work. Implementing agencies may coordinate with national CSOs at the project/program level. In partner countries, the Chinese embassy may, on the one hand, play an important role in vetting and monitoring Chinese CSOs projects/programs to ensure that they meet the needs of partner country; on the other hand, the embassy may also assist CSOs with field studies to further their understanding of local development demands and priorities.

Institutionalize policy dialogue with CSOs. China might establish a systematic and regular coordination framework with CSOs, which would enable the government to provide consultation services and capacity-building to potential CSO partners. This would help these CSOs understand foreign aid policy, form an international awareness and vision of development cooperation, and learn about detailed conditions in different partner countries. At the same time, the government could include CSOs in multi-stakeholder consultations on development issues, particularly working with CSO platforms and alliances to facilitate coordination among CSOs. Meanwhile, the government may also support Chinese CSOs in developing innovative, effective partnerships with local counterparts in partner countries.

Diversify financing modalities. The Chinese government should establish a specific channel for CSOs to apply for aid budget monies. Currently, the government could better utilize the South-South Cooperation Assistance Fund to provide support to CSOs in terms of target populations, thematic focus, and diversity of cooperation modalities. This diversity could support the unique capacities and comparative advantages that different CSO types and sizes can bring. For a CSO with strong capacity to deliver development outcomes, sustained multi-year financing could further strengthen its project sustainability and effectiveness. Additionally, support should flow openly to smaller CSOs that may offer particularly important expertise (e.g. on education, health) or access to specific local areas (e.g. some smaller CSOs might establish networks in particular rural areas that otherwise have no presence). At the same time, the government could also encourage CSOs to cooperate with other actors, such as the private and academic sectors, through a multi-donor funding modality, the better to undertake development projects on the ground.

5. Conclusion

In general, the expanded partnership of government and CSOs should contribute to greater Chinese aid impact in the future. In terms of China itself, the more active engagement of CSOs could i) promote the deepening reform of foreign aid into a multi-faceted model, with diversified financial resources, actors, and approaches; ii) promote people-to-people connections with partner countries; iii) improve public understanding and support of, and participation in, China's foreign aid; iv) more effectively disseminate China's wisdom and strategic experience to other developing countries; and v) enhance China's "soft power" and international image.

China's cooperation with the rest of the developing world has entered a new phase, featuring improved quality and upgraded modalities, with new opportunities ahead for "win-win" cooperation scenarios. The new partnership of government and CSOs could better meet the various demands of partner countries at different levels and in diversified aspects. Optimistically, this could mean a more responsible China, in terms of global governance, and a more responsive leadership among South-South cooperation partners.

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CHAPTER 2

How the Chinese Foundation for Poverty Alleviation Took its First Steps Abroad

By
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Abstract

The article presents a case study in CSO-led development cooperation: the upgrade to Sudan's Abu Ushar Hospital, a multi-partner project undertaken by the Chinese Foundation for Poverty Alleviation (CFPA). The study argues that a multi-party, multi-disciplinary approach to healthcare aid greatly lowers expenditure and minimizes risk for all project stakeholders, while leveraging local resources to ensure long-term project sustainability. It provides background on CFPA and the Chinese engagement in Sudanese development, discussing the evolution of the CSO's partnership with the Chinese petroleum company CNPC and with local stakeholders. It also addresses implementation challenges during construction. The authors note one benchmark of sustainability and success: CFPA and CNPC were able to withdraw from the project within four years, leaving the hospital and local community in favorable positions to continue. Many features of the project may serve as a model for future corporate-CSO partnerships and local engagement.

1. Introduction

This case study examines how the China Foundation for Poverty Alleviation, a Chinese nongovernmental organization (NGO), has collaborated with several partners on improvements to the Abu Ushar Hospital, a project delivering vital health services to Sudan's poor. CFPA's partners included the Chinese government (as represented by the Chinese Embassy in Sudan), the China National Petroleum Corporation (CNPC), and the Al-Birr and Al-Tawasul Organization (BTO), a Sudanese civil society organization (CSO) The study argues that a multi-party, multi-disciplinary approach to medical aid greatly lowers expenditure and minimizes risk for all project stakeholders, while leveraging local resources to ensure long-term project sustainability. It also gives insight into contemporary modalities of Chinese south-south cooperation, demonstrating how China leverages the resources and skills of the government, NGOs, and state-owned enterprises to strengthen its bilateral partnership with Sudan. After an overview of CFPA's scale and history, we trace China's history with Sudan and the rationale for the project. We then describe the interests, motivations, and roles of all partners. Finally we discuss the implementation challenges and successes of the Abu Ushar Hospital, and consider lessons for similar engagements in the future.

The China Foundation for Poverty Alleviation (CFPA) is a poverty-reduction nongovernmental organization, registered with the Chinese Ministry of Civil Affairs in 1989 and professionally supervised by the State Council Leading Group Office of Poverty Alleviation and Development. With support from all sectors of society, by the end of 2015 CFPA had cumulatively raised poverty alleviation funds and materials valued at RMB 17.74 billion, benefiting 24,793,200 person-times in impoverished conditions and disaster areas (CFPA, 2017a). Hence CFPA has become the largest and most influential poverty-reduction CSO in China.

Regarding the main causes leading to poverty, CFPA has focused on four areas: improving hygiene and health conditions, and promoting educational equality, rural community development, and post-disaster humanitarian aid. CFPA has established a complete, systematic, and scientific set of project-management regulations for its internal use; it has also built up its brand through direct-aid projects, such as micro-finance or maternal and infant health care (CPFA, 2017a).

Since the 2004 Indian Ocean tsunami, CFPA has expanded to explore avenues in international humanitarian aid, development, and assistance. CFPA initially kept such activity within China, but eventually transitioned to making frequent business trips and finally to establishing country offices. By the end of 2016, CFPA had carried out projects in 17 countries and regions, valued at over USD 17 million (CFPA, 2017b).

2. Project Rationale

Sudan's civil war has had long-term effects on its medical sector, and the national health system has never received adequate development. Conflict has destroyed almost all the medical infrastructure in the south, and few of the surviving medical facilities can operate. Although northern facilities escaped from the war, economic barriers prevent their full use. According to CFPA's field investigation, each Sudanese state has three to five hospitals on average, mainly located in state capitals, while the vast rural and remote areas often lack hospitals altogether. The Sudanese Health Ministry's ambitious 2007 National Health Policy plan (FMoH, 2007: 16) to build a health service site every five kilometers remains far from realization (FMoH, 2009).

(1) China-Sudan Relations

Sudan was one of the earliest nations to establish diplomatic relations with China (in 1959). The two countries have historically maintained friendly relations. In 1971 Sudan voted in favor for the China's ascension to the United Nations (UN) Permanent Security Council.

Sudan has increasingly come to rely on Chinese foreign investment since 1997, when the United States Presidential Executive order 13067 effectively banned US technology and heavy industry exports to Sudan and all imports from the country (Clinton, 1997). Chinese state-owned-enterprises (SOEs) took advantage of the vacuum caused by unfavorable trade conditions between Sudan and the West to establish a foothold in the country. Before South Sudan gained independence from Sudan in 2011, Chinese investments totaled over USD 20 billion (Nduru, 2015), and as of 2016 Chinese firms controlled 75 percent of all foreign investments in Sudan's oil sector (Sudan Tribune, 2016).

(2) China's Humanitarian Engagement with Sudan

In 2003 the Darfur Crisis led to a rapid deterioration in Sudan's humanitarian situation, which then stabilized under the UN-brokered 2006 Darfur Peace Agreements. The crisis displaced up to one-third of the population; due to the constant instability arising from the decades-long upheaval in the Southern regions, human development has remained low, despite robust economic growth from development of domestic oil fields. As of 2012, GDP per capita was only USD 1,600; life expectancy stood at 62 years, and Sudan ranked 171 out of 187 countries on the Human Development Index (HDI) (World Bank, 2013).

Based on these conditions, Sudan fulfills all of CFPA's criteria for international action. Sudan's low standard of living demonstrates a genuine need for humanitarian work; the friendly relations between Sudan and China create a positive environment for Chinese CSOs, and existing large-scale and long-term Chinese investments mean that work undertaken by Chinese CSOs serves to promote Chinese foreign and strategic policy at a grassroots level.

The petroleum company CNPC has undertaken widespread and continuous CSR actions in Sudan, having built four full-fledged community hospitals between 2004 and 2011 (Zhang, 2011). However, CNPC has encountered issues with sustainability and project divestment, ones that many SOEs face when engaging in overseas CSR. Local governments have proven unwilling to invest in or provision these hospitals, based on the commonly-held view that foreign SOEs — given their use of local resources to generate profits — have an obligation to fully and continuously fund such projects. Moreover, patients holding similar views have often balked at paying for treatment. Finally, CNPC's existing hospitals did not generate positive publicity and news coverage to the extent that the company could have desired — again, given the predisposition of local and even Chinese media organizations (though to a lesser extent) to view long-term CSR as a matter of course for a firm the size and scope of CNPC.

CNPC reached out to CFPA because of its professional expertise and experience within China, particularly in establishing health centers for infants and nursing and pregnant women. Moreover, CFPA was one of the first Chinese CSOs to internationalize and incorporate international action into its long-term planning; at the time, it was willing to use its own reserves as a last resort to cover budget overruns for overseas projects.

CNPC began partnership talks with CFPA in 2009 to discuss funding a sustainable hospital, one that would receive multi-sector support from the local government, the Chinese government, and the community. During negotiations, CFPA emphasized the publicity value of the project as the first overseas aid hospital erected by a Chinese CSO (MOFA, 2011). This milestone in China's international civil philanthropy — coupled with CFPA's experience in establishing clinics in remote regions in China, equipping them, and turning over operations to local authorities — gave a critical boost to CNPC's decision to proceed.

3. Partnership in Implementation

CFPA sent its first assessment team to Sudan October 2009; after consultation and advice from all stakeholder parties, it began feasibility studies at Abu Ushar, located in Gizera state about140 km from the capital, Khartoum. Medical teams from the Chinese Ministry of Health (MoH) have operated there since the 1970s. In the 1990s, the MoH decided to focus their attention on cities, where they believed medical teams would have greater social impact, resulting in a gradual withdrawal of healthcare staff from Abu Ushar. However, the departure of Chinese doctors from rural Sudan resulted in much hardship for villagers, many of whom petitioned the state and national government for their return. Medical teams returned to Abu Ushar a few years after the initial withdrawal, but saw their subsequent work hampered by dilapidated infrastructure and outdated medical equipment (Feng Li, 2010: 181-182).

Nonetheless, this history produced several significant advantages that CFPA could draw upon: the Chinese embassy's familiarity with the site and local government; the medical staff's knowledge of the surrounding villages; the decades of goodwill in the area resulting from the continuous presence of Chinese doctors in Abu Ushar. CFPA therefore pursued a strategic partnership with the Chinese government, using its own funding to proceed with the construction of a hospital building and furnishing it with modern equipment donated by the Chinese embassy. The project aimed to relocate all medical staff (including eight Chinese and four Sudanese doctors), operation theatres, consulting rooms, and patient wards to the new building, enabling doctors to practice to the fullest extent of their medical and technical expertise.

(1) Design Phase

In May 2010, CNPC, CFPA, BTO, the Chinese Embassy in Sudan, and the Sudanese local and state governments signed the necessary agreements of cooperation for building the Abu Ushar Hospital. In keeping with CFPA's previous experience in China and its overall mission to help society's most vulnerable, the hospital aimed to specialize in obstetrics and neonatal care. This Chinese experience also led CFPA to assign its CSO partner BTO an additional task: creating a 'health network' that would link local communities with the hospital. This would ensure hospital patronage and, by extension, the long-term survival of the project. Shortly after the hospital began operations, volunteer doctors and BTO program officers fanned out across 12 villages within Abu Ushar's service range; over the course of three weeks, they held training sessions for pregnant and nursing mothers on nutrition, medicine, and best hygiene practices, ran mobile health checkup clinics, and invited women from the villages to tour the new hospital.

CFPA also took steps to ensure project sustainability (a key condition of CNPC's backing for the Abu Ushar Hospital). Discussions with

Sudanese health authorities and the Chinese embassy led to a consensus: the hospital would charge nominal fees for visits, and none of this revenue would go toward the repayment of capital costs. CNPC would bear the capital costs of hospital construction, while the MoH and their Sudanese counterpart would be responsible for staffing the hospital with doctors and nurses. All the hospital's actual revenue would go for building, grounds, and equipment maintenance. This would keep hospital fees at parity with local health providers, but at the same time offer better service and facilities.

(2) Construction Phase

Project fieldwork and feasibility studies began in 2009; pre-project planning and negotiations began in June 2010, and the hospital finished construction in May 2011. The hospital was inaugurated on 16 July and began accepting patients at once.

To accelerate the construction process and mitigate project risks, the 1,700-square-meter building was prefabricated in China, using galvanized metal panels over a reinforced steel frame. Local construction workers in Sudan assembled these components under the supervision of the manufacturer's technicians. Shortly after the signing of the prefabrication procurement contract, workers at Abu Ushar installed electricity transformers and water tanks donated by the Chinese Embassy in Sudan. By November 2010, workers began pouring the concrete floor and foundations for the hospital, which by New Year had completely set and cured; however, the prefab units were held up for two months and did not clear Sudanese customs until March 2011, creating further delays that we will discuss below.

After the successful delivery of the prefab construction materials, workers quickly began assembling the hospital; by early May, they had finished installing the windows, doors, wall insulation, floor tiles and internal dividers. During this time, an x-ray and ultrasound machine arrived on site, along with other hospital equipment donated by China's Ministry of Commerce. Figure 2-1 shows Mr. Kaizhi Chen, CFPA Vice President, at the July 2011 formal launch of the Sudan-China Friendship Hospital in Abu Ushar, and Figure 2-2 shows the completed building.

| Figure 2-1 | CFPA Vice President Kaizhi Chen (third from left) at the Abu Ushar Hospital Opening Ceremony

| Figure 2-2 | The Completed Sudan-China Abu Ushar Friendship Hospital

4. Abu Ushar Hospital: Challenges Faced and Successes Achieved

Completion of the Abu Ushar Hospital ran three months behind schedule and presented massive challenges as CFPA's first overseas project. The initial fund of USD 600,000 allocated by CNPC proved insufficient; ultimately, construction cost USD 1.105 million, with 24 percent spent on management (CFPA, 2011). In principle, CFPA aims to keep management fees at or below 10 percent of the overall project budget. However, in hindsight, these cost overruns should not surprise us, given that this was CFPA's first overseas initiative, as well as a multi-party international infrastructure project.

Due to unfamiliarity with international customs (on the part of both CNPC and its local partner BTO), the hospital building materials remained at the port of entry for two months; this incurred significant demurrage charges and resulted in lost productivity. The project encountered further delays during materials shipping from Port Sudan to Khartoum. In addition, CFPA's inexperience with prefab building design created workflow inefficiencies that caused construction to fall behind schedule. Other unforeseen problems, such as the failure to adequately shield construction material from the harsh desert heat, further drove up costs and quickly led to budget escalations. In the end, CFPA took on 73 percent of the USD 505,000 in cost overruns; BTO would underwrite 20 percent, with the remainder covered by the Chinese Embassy in Sudan (CFPA, 2011).

(1) Publicity

Numerous Chinese state and private media organizations covered the hospital's inauguration and opening ceremony, including the state-run television network CCTV, the government press agency Xinhua (2011), and the People's Daily and Beijing Morning Post. In addition, the Ministry of Foreign Affairs published a press release, while private web-content companies Sina and Sohu also provided coverage. Magazines aimed at the Chinese diaspora and trade journals in the humanitarian and international-development sectors also covered the story. The project also won accolades from the Chinese government; the Ministry of Foreign Affairs named it a Model International Humanitarian Project of 2011 (Ren, 2017; CNPC, 2012).

After day-to-day operations commenced, the hospital continued to generate a steady stream of publicity, with regional and special-interest publications covering the story regularly over the five years of successful hospital operations.

(2) Community Impact

By 2013, the Abu Ushar Hospital had registered over 54,000 doctor visits over the course of a year, representing a 45 percent increase from 2010, before construction of the new building (Table 2-1). The hospital's financial circumstances also improved from a slight operating loss to a moderate surplus in revenue (Table 2-2). This end-of-year surplus funded a garden that provides greenery and shade for patients and staff, while also producing foodstuffs that the hospital serves on its menu.

Table 2-1 Recorded Doctor Visits at Abu Ushar 2010-2013

(Unit: Sudanese Pounds)

	2010	2011	2012	2013
GP	7,525	7,768	9,322	8,511
Orthodontics	1,587	3,107	3,599	3,650
Obstetrics	4,648	6,600	7,633	6,805
Ophthalmology	2,668	3,495	4,140	3,891
Ear, Nose, Throat	3,106	3,882	4,340	4,378
Internal Medicine	6,324	5,824	6,589	6,813
Orthopedics and General Surgery	7,832	8,153	9,662	9,734
Inpatient	5,511	5,471	6,843	6,255
Acupuncture	-	-	-	1,210
Gynecology	-	-	-	3,681
Annual Patient Number	39,201	44,300	52,128	54,928

Source: Compiled by the author with data from Abu Ushar Hospital (2010-2013).

Table 2-2 Financial Overview of Abu Ushar Hospital 2010-2013

(Unit: Sudanese Pounds)

	2010	2011	2012	2013
Gross Income	902,073	1,200,150	1,532,796	1,638,855
Gross Expenditure	910,318	1,208,150	1,519,602	1,620,557
End of Year Balance	- 8,245	- 8,000	13,194	18,298

Source: Compiled by the author with data from Abu Ushar Hospital (2010-2013).

5. Conclusion

CFPA's direct involvement with the day-to-day operations of the Abu Ushar Hospital ceased after 2014. A member of CFPA still sits on the board of directors, but CFPA no longer involves itself with operating minutiae; the Sudanese director and his staff have taken over management. By achieving the aim of successful divestment after completion as originally planned, the project represents a success for CFPA and CNPC.

As CFPA's first overseas undertaking, and as a complex project involving customs, government actors, multiple partners and infrastructure construction, the hospital could not avoid exceeding its budget. CFPA committed to the Abu Ushar Hospital project knowing that it had unknown factors, and therefore anticipating unforeseen challenges.

CNPC originally aimed to build a dozen other hospitals across Sudan based on Abu Ushar. Despite having assumed the bulk of the cost overruns, CFPA and its partners remained committed to those additional hospitals until 2012. CFPA believed that modest budget adjustments, in addition to the lessons learned in this first project, would have greatly reduced any future risk of delays and cost overruns. However, South Sudan's independence in 2012 drastically reduced Sudan's oil reserves, causing CNPC to scale back Sudanese operations and likewise its CSR activities.

Nonetheless, the Abu Ushar Hospital remains a successful case for all parties involved. According to internal reports from the Al-Birr and Al-Tawasul Organization, the hospital satisfied the project objectives of generating positive publicity through CSR, and achieved complete project pullout for CFPA and CNPC within its first four years of operations. The project successfully bolstered the standard of living in its service radius, won praise from local communities, and also charted a path for other Chinese SOEs to involve CSOs in their Sudanese CSR activities. Working on the operations model pioneered by CFPA, in November 2016 CGCOC Group, a SOE specializing in construction, announced that they would build a 1,700-square-meter expansion to the Abu Ushar Hospital, slated for completion in late 2017 (CGEG, 2017).

In the future, CFPA hopes to see more Chinese companies and firms take the initiative in philanthropic causes overseas. Long-running community improvement projects foster goodwill on the local and grassroots levels — in the long run, an asset that accrues a form of soft power that may help facilitate future Chinese business expansion.

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CHAPTER 3

Korea's Engagement with Domestic NGOs in Development Cooperation

By
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Abstract

This study assesses the evolving partnership between domestic NGOs and the Korean government — specifically, the Korean International Cooperation Agency (KOICA), the coordinating arm of development cooperation policy. The article traces the background of Korean NGOs, along with studies on NGO-government cooperation in OECD-DAC countries; it also reviews the official policy documents that expanded NGO-KOICA joint efforts. Notably, these stipulate that NGOs contribute 20% of funding towards their proposed projects, thus expanding the reach of government-sponsored funding; the majority of projects concentrate in Asia and Africa, with a particular emphasis on education and health issues (although KOICA also envisions other sectoral actions in keeping with the SDGs). While Korean NGOs have made significant contributions, and have successfully leveraged their networks with in-country NGOs, they have faced challenges in maintaining their autonomy, building their capacities, and achieving efficient outcomes. KOICA oversight may prove a restraining factor, while the selection process seldom takes NGO experience, scale, or capacity sufficiently into account.

1. Introduction

This study asks the following questions: first, how has the partnership between the Korean government and nongovernmental organizations (NGOs) emerged? Second, how has the Korea International Cooperation Agency (KOICA) called upon domestic nongovernmental organizations (NGOs) in support of its development actions in partner countries? Third, how do these NGOs contribute to the KOICA mission of promoting the economic and social development of developing countries? My research draws on internal data about aid partnerships from KOICA and interviews with NGO personnel, as well as my first-hand experience as a Program Specialist with the KOICA Civil Society Cooperation Department. I will argue that the partnership between the Korean government and NGOs has contributed to the proliferation of development participants in aid delivery. However, with Korean NGOs having limited experience and a short history, the Korean government has led the partnership, while NGO roles in development projects remain partial.

In Korea, NGOs emerged during and after the Korean War in 1950-1953 to help orphans and vulnerable people. Many of these, including ChildFund, Save the Children, and World Vision, arrived as imports from foreign relief organizations and religious groups. Since social issues such as social welfare and human rights were emphasized in Korea during the 1980s, that period saw the first appearance of homegrown Korean NGOs (Son, 2015). Many of them were faith-based organizations, and according to the recent data, about 50 percent of Korean NGOs still have affiliations with specific religions (KCOC, 2016). Most of Korea's native development-related NGOs emerged in the 1990s, such as Global Care, Global Civic Sharing, Good Neighbors, and others. As global issues such as poverty and climate change became prominent concerns nationally and internationally, and as the Korean government expanded funding for domestic NGOs, their number rapidly increased. Homegrown international NGOs also emerged, such as the first officially registered overseas-aid NGO, Korea Food for the Hungry International, in 1989 (Devex, 2017), and the largest, Good Neighbors, in 1991 (Kim, 2012).

The Korean government, specifically KOICA, started its partnership with domestic NGOs in 1995; since then, public-private partnership (PPP) programs have dramatically increased in value and number. According to KOICA's data from 1995 to 2015, KOICA has supported about 183 NGOs and 1,335 projects under the partnership programs.[20]

However, until now there has been little study on how the Korean government works with NGOs in development cooperation, and what influence they have had in aid delivery. This chapter focuses on the mechanisms for funding Korean NGOs, their contributions, and the challenges they face. It also reviews official sources, including related policy and strategy documents, and KOICA statistical data since 1995 concerning KOICA cooperation with NGOs. In addition to keeping track of the number and value of NGO-PPP projects, KOICA also tracks project sectors, countries, and partner NGOs.

2. Studies on Government-NGO Cooperation

The role of NGOs in development projects has expanded; development professionals and researchers regard them as development alternatives that can better reflect the needs of grassroots beneficiaries and eventually improve aid effectiveness (Lewis and Kanji, 2009; Ferguson, 2011; Banks *et al*., 2014). Development actors have assumed that NGOs have a comparative advantage in providing grassroots-oriented development projects, and that partnership with NGOs can promote recipient participation in aid delivery (Ferguson, 2011; Banks *et al*., 2015).

Based on this belief, many donor governments have implemented matching-grant programs to cooperate with NGOs, starting with Germany in the 1960s (Smillie *et al*., 1999). Since then, NGO-government cooperation has steadily deepened. Currently, in addition to providing matching funds, donor governments offer NGOs contracts to carry out bilateral official development assistance (ODA) projects. NGOs apply for such funding through bids in competition with each other; as a result, they frequently end up focusing on governmental priorities and strategies, leading to a more hegemonic NGO-state

20 The author, in her professional role as a KOICA civil-society program specialist, compiled KOICA's internal PPP data in January 2017 as the basis of her research.

relationship (Smillie *et al*., 1999; Banks *et al*., 2015).

This unequal relationship raises concerns about the autonomy, accountability, and legitimacy of NGOs (Banks and Hulme, 2012). During the implementation of PPP projects, NGOs — as the weaker partners — will likely acquiesce to the needs of funding agencies, and governments can indirectly manipulate NGO missions and functions. Cooperation between governments and NGOs increases dependence on donor funding, while financial reliance on government funding forces NGOs to become accountable in that direction, rather than to beneficiaries and/or their own original mandates. As a result, their autonomy and legitimacy may suffer in the long term.

To some extent, these concerns arise in all NGO-state contexts. Zalas-Kaminska (2015) reviews how the government-NGO partnership works from an institutional perspective. The author analyzes key documents, leading government agencies, main areas of cooperation, and funding mechanisms in the Czech Republic, United Kingdom, Denmark, Sweden, and Ireland. NGOs in these countries appear as the governments' strategic partners in implementing development projects and increasing public awareness. Areas of cooperation range from development projects, humanitarian aid, and conflict-related activities to public awareness, global education and NGO capacity building. Notably, most government agencies emphasize the institutional and administrative capacity of NGOs to ensure aid quality and achieve governmental development goals. Therefore, the governments also manage programs to support NGO capacity building. Table 3-1 gives a summary of Zalas-Kaminska's study on partnership forms in the selected European Union donors.

The Zalas-Kaminska study offers a kind of comparative baseline for state-NGO collaboration in other Organisation for Economic Cooperation and Development (OECD) donor countries; it can help us see, in turn, the distinctive characteristics of Korea's institutional arrangements. In the next section, I will explain KOICA's forms of partnership, including legal frameworks, strategy documents, and funding mechanisms. I will also examine the trends in and contributions of the partnership between the Korean government and domestic NGOs, along with the challenges they face.

| Table 3-1 | Summary of Partnership between Governments and NGOs in Sweden, Denmark, United Kingdom, Ireland, and the Czech Republic

	Country	Key Strategy Documents	Government Entity	Area of Cooperation	Funding Mechanism
1	Sweden	Shared Responsibility : Sweden's Policy for Global Development (2003)	Swedish International Development Cooperation Agency (SIDA)	Development projects, humanitarian aid, conflict-related activities, development of civil society	- Calls for proposals - 1- to 3-year contracts - NGO's contribution: 10%
2	Demark	Policy for Danish Support to Civil Society (2014) The Right to a Better Life Strategy for Communication about Denmark's Development Cooperation Act (2013)	Ministry of Foreign Affairs (MFA), Danish International Development Agency (DANIDA)	Development projects, humanitarian aid, public awareness, NGO's capacity building	N/A
3	United Kingdom	The 2002 International Development Act (2002) Eliminating World Poverty: Building Our Common Future (2008)	Department for International Development (DFID)	Development projects, humanitarian aid	- 3-year agreements - NGO's contribution: 25%
4	Ireland	Civil Society Policy (2008)	MFA, Irish Aid	Development projects, humanitarian aid, good governance, NGO's capacity building	- Calls for proposals - Up to 4-year agreements - NGO's contribution: 30% (Civil Society Fund)
5	Czech Republic	Development Cooperation Strategy of Czech Republic for 2010-2017 (2010) The 2010 Act on Development Cooperation and Humanitarian Aid (2010)	MFA, Czech Development Agency (CzDA)	Development projects, humanitarian aid, global education, NGO's capacity building	- Calls for proposals - 1- to 3-year agreements NGO's contribution: 10%

Source: Zalas-Kaminska (2015: 18-19, 25).

3. Emergence of the Partnership between the Korean Government and NGOs

Development-focused NGOs with primary missions in international development issues (such as poverty alleviation) first appeared in Korea in the late 1990s, when many domestic NGOs began expanding into global roles (KCOC, 2016; Son, 2015). As a key entity in implementing Korea's grant-aid programs, KOICA has paid attention to the increasing role of NGOs in global governance, and has increased its emphasis on the international trend of state-NGO partnership since its establishment in 1991. The World Summit for Social Development (WSSD) in 1995 gave momentum to cooperation between the Korean government and NGOs. The summit emphasized the participation of civil society as a means of achieving social development goals. At the summit, then-president Kim Young-Sam made Korea's first international commitment to expanding the volume of official development assistance (ODA) (Kim, 1995). After the summit, the Korean government began its development cooperation partnership with NGOs within the year.

Another driver of government-NGO collaboration came with Korea's membership (2010) in the OECD Development Assistance Committee (DAC). The government had pushed strongly for inclusion in this group. Symbolically, the OECD-DAC connotes membership among the most advanced countries and recognition as a developed nation, a status much desired by the Korean government as evidence of the regime's success (Chun *et al*., 2010).

In preparation for joining the OECD-DAC, the Korean government needed a rapid increase in its ODA volume. OECD-DAC members (along with other country-donors) pledged to devote 0.7 percent of their gross national income (GNI) as ODA to developing countries, as agreed at the Monterrey International Conference on Financing for Development in 2002 (UN, 2003).[21] However, the Korean government

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21 The Monterrey Conference marked the first quadripartite exchange of views between governments, civil society, the business community, and institutional stakeholders; over 800 participants in twelve separate roundtables discussed global economic issues. Attendees included more than 50 heads of state and government and over 200 ministers of foreign affairs, trade, development and finance,

had an ODA volume of less than 0.1 percent of ODA/GNI in 2010, and therefore set the ambitious target of reaching 0.25 percent by 2015.

To increase aid volume, it was necessary to raise public awareness about ODA, since it rests upon taxation. The partnership with civil society proved a very important tool in promoting public support and increasing efficiency in aid delivery. Against this background, the Korean government led the effort to develop its legal and institutional framework in order to strengthen the partnership with NGOs.

The Korean government enacted the *Framework Act on International Development Cooperation* in 2010 for the effective and systematic ODA performance (GOK, 2010a). The Act sets out the legal basis for cooperation policy, and addresses civil society organization (CSO) engagement as follows: "The state shall endeavor to improve the effectiveness of projects for international development cooperation by implementing such projects in a systematic manner in cooperation with related civilian organizations, etc." (GOK, 2010a, Article 5[3]). It emphasizes the importance of this cooperation with CSOs, regarding them as effective partners for development projects. It is worth noting that this policy document puts civil society groups and private-sector businesses on the same footing, calling them all "private sectors" — an approach specific to Korea that KOICA followed until recently, when it separated "businesses" and the private sector from civil society groups.

In addition, the Korean government established the *Strategic Plan for International Development Cooperation* in 2010 (GOK, 2010b). The Plan gives emphasis to strengthened, inclusive partnerships with civil society, including NGOs, academia and the private sector, as one of the core strategies for improving Korea's ODA effectiveness. It also stresses the role of information-sharing and joint implementation strategies in creating sustainable solutions for partner countries.

While close work with NGOs had already become an international trend, in Korea's case it was more a strategic approach for becoming an OECD-DAC member. As the policy documents suggest, the Korean government recognized NGOs as key partners in rapidly increasing aid

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collectively agreeing to what is now known as the "Monterrey Consensus" [on financing for development] (UN, n.d.).

volume and improving public awareness; some longstanding NGOs could also provide information and field experience to improve aid effectiveness. With this in mind, the Korean government launched the Office of Public-Private Partnership at KOICA in 1995. Since then, through diverse partnership programs, the Korean government has provided funds to Korean development-NGOs working internationally, actively engaging them in the field of development aid.

(1) KOICA's engagement with NGOs

KOICA is a leading governmental entity related to cooperation with NGOs. In 1995, KOICA institutionalized its NGO work with two documents: a strategy for public-private partnership, and detailed guidelines at the implementation level, including information on application requirements, financing, project process, and so on. Since KOICA began funding NGOs in 1995, it has constantly expanded the number and types of partners; initially focused on domestic NGOs, it now includes academia, enterprises, and local (foreign) NGOs. Currently, KOICA finances CSOs through PPP programs. The volume of KOICA PPP funding has significantly increased.

Table 3-2 shows the volume of partnership funds allocated by KOICA to NGOs between 1995 and 2015. From 1995 to 2015, KOICA allocated USD 128.6 million to about 200 NGOs and 1,223 projects. Aid given to NGOs in 2015 was 59 times higher than the 1995 volume, and accounted for about 5 percent of KOICA's total budget. While the amount of funding remained stable from 1995 to 2001, it suddenly jumped in 2002, 2003, 2005, 2011 and 2013.The funding increases led to growth in partnerships with diverse CSOs, including academia and newly-emerged NGOs.

NGOs are responsible for planning, implementing, and monitoring development projects, while KOICA performs monitoring and evaluation. In other words, NGOs implement development activities on their own initiative; they have the authority to design and conduct projects, while KOICA designs PPP programs, requests for proposals, project reviews, and monitoring/assessment protocols. Thus, KOICA has limited input in the actual process of implementation. While formal

| Table 3-2 | The Volume of Partnership Funds Allocated by KOICA and NGOs, 1995-2015

Year	KOICA	NGOs
1995	421,754	1,496,579
1996	471,842	1,818,860
1997	535,088	1,902,281
1998	280,702	1,180,088
1999	364,035	1,564,035
2000	526,316	1,832,570
2001	868,421	1,648,947
2002	1,496,930	6,521,667
2003	6,783,421	11,066,316
2004	814,912	1,150,789
2005	2,372,807	3,639,684
2006	2,390,351	3,132,456
2007	2,309,649	2,967,544
2008	4,966,667	6,268,454
2009	5,285,968	9,556,615
2010	4,628,323	4,244,782
2011	8,661,458	5,828,829
2012	8,820,995	5,051,071
2013	26,569,042	10,838,146
2014	25,253,148	6,140,241
2015	24,795,240	6,614,788
Total	128,617,069	94,464,742

Note: 1) Unit: USD. 2) 1 USD = 1,140 KRW.

Source: KOICA internal PPP data compiled by author (January 2017).

bilateral aid goes through government-to-government channels, NGO projects may originate with requests from the target communities.

KOICA's PPP programs focus on the following thematic areas: education, health, water, agriculture and rural development, and miscellaneous issues. Each theme has its own goal in line with the Korea's mid-term sectoral strategy for bilateral aid; it focuses on the United Nations Sustainable Development Goals (SDGs), concentrating funding on education, health, governance, agriculture and rural development, water, transportation, energy, gender equality, climate change, and science, technology and innovation (STI) (KOICA, 2017), but there are no annual allocations by sector. NGOs submit project proposals that meet the objective of the theme they apply for; many concentrate on education and health issues, where Korea has substantial history in NGO engagement. The projects can last from one to three years, and the KOICA funding per project runs between about USD 0.1 million and 1.5 million. Notably, KOICA requires NGOs to contribute a minimum of 20 percent of total project funding (KOICA, 2015).

KOICA annually requests proposals for the following year. NGOs must demonstrate local needs, expected outcomes, and their capacity to implement projects. The review process chiefly focuses on the quality of proposals, an NGO's capacity to implement a project successfully, and expected results. Generally, each year sees the selection of about 50 new projects and implementation of more than 150.

(2) Contribution of Korea's NGOs

KOICA has benefitted from partnerships with NGOs both financially and non-financially. First of all, as Table 3-2 demonstrates, funds officially raised by NGOs have amounted to about USD 94.5 million over 20 years, accounting for 42.3 percent of all PPP funds. However, since many NGOs usually provide additional funds during project implementation, their actual contribution to the partnership program is much larger than the data suggest.

Despite a relatively short history in development aid, NGO contributions to KOICA's project portfolio have grown rapidly, particularly in Asia and sub-Saharan Africa. As Table 3-3 shows, about 87 percent of KOICA's partnership funding has gone to Asia and Africa over the past 20 years. Notably, KOICA has allocated about 62 percent of its funding to Asia. PPP projects in Asia and Africa mainly aim at reducing poverty and promoting social development, covering most SDG sectors.[22]

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22 KOICA internal PPP data compiled by author (January 2017).

| Table 3-3 | KOICA Funds Distribution by Region, 1995-2015

Year	Asia	Africa	Central and South America	Middle East and Common-wealth of Independent States	**Total**
1995	-	82,544	-	18,772	101,316
1996	-	108,947	-	63,596	172,544
1997	311,404	179,825	-	43,860	535,088
1998	184,211	65,789	-	30,702	280,702
1999	307,018	26,316	-	17,544	350,877
2000	403,509	70,175	-	35,088	508,772
2001	664,912	96,491	-	85,088	846,491
2002	618,596	257,018	26,316	595,000	1,496,930
2003	566,667	262,281	43,860	5,910,614	6,783,421
2004	502,632	220,175	-	92,105	814,912
2005	1,495,614	558,596	-	318,596	2,372,807
2006	1,995,614	371,228	-	23,509	2,390,351
2007	1,485,088	736,842	61,404	26,316	2,309,649
2008	2,994,035	1,718,246	131,579	122,807	4,966,667
2009	3,353,511	1,414,912	342,105	175,439	5,285,968
2010	2,793,596	1,513,411	171,930	149,386	4,628,323
2011	5,326,832	2,882,767	162,148	289,711	8,661,458
2012	5,130,558	2,792,376	471,172	426,889	8,820,995
2013	18,892,340	5,987,243	716,310	973,148	26,569,042
2014	17,034,881	5,987,680	1,507,031	723,556	25,253,148
2015	15,231,140	7,512,715	1,372,519	678,867	24,795,240
Total	79,292,157	32,845,577	5,006,374	10,800,591	127,944,700

Note: 1) Unit: USD. 2) 1 USD = 1,140 KRW.

Source: KOICA internal PPP data compiled by author (January 2017).

On the other hand, only 12.4 percent of KOICA funds over the two decades has gone to other regions such as Central and South America or the Middle East. This regional distribution resembles that of Korea's bilateral ODA.[23] The Asian focus of Korean NGOs rests on easy access and existing networks, which can make the use of funds more efficient.

Table 3-4 shows KOICA funds distribution by sector from 1995 to 2015. According to Table 3-4, about 63.3 percent of distributed funding has gone to the education and health sectors over the past two decades. By region, the sector allocation changes slightly. In Asian countries, about 40 percent of PPP projects have focused on the education sector, 26 percent on health, and 15 percent on agriculture. However, in African countries, the distribution runs to about 46 percent to the health sector, 29 percent to education, and 20 percent to agriculture. Although NGOs design PPP projects, these distributions reflect their alignment with *Korea's Country Partnership Strategy*, an official document about the Korean government's ODA strategy in partner countries (ODA Korea, 2017).

Significantly, Korean NGOs work closely with local counterparts in beneficiary countries to build a good rapport with local populations and governments. Middle-sized and large NGOs establish in-country offices, employing local people and collaborating with local communities. However, some NGOs, especially small ones, do not have branches and therefore work with local NGOs with which they have a relationship or those recommended by the local government. Most Korean NGOs have religious affiliations, and therefore can usually tap international networks.

Strong ties with local communities enable efficient communication at all levels, from grassroots to government. They allow Korean development-NGOs to create favorable environments for successful project implementation. Moreover, NGO project sites are usually in remote and marginalized areas underserved by KOICA bilateral aid. Consequently, the partnership with NGOs supplements Korea's ODA projects.

23 KOICA internal PPP data compiled by author (January 2017).

| Table 3-4 | KOICA Funds Distribution by Sector, 1995-2015

Year	Governance	Education	Emergency Relief	Agriculture	Health	Miscellaneous	**Total**
1995	-	229,561	-	92,018	100,175	-	421,754
1996	-	185,263	-	26,316	260,263	-	471,842
1997	17,544	184,211	-	-	333,333	-	535,088
1998	13,158	122,807	-	21,930	122,807	-	280,702
1999	17,544	184,211	-	-	162,281	-	364,035
2000	26,316	241,228	-	-	258,772	-	526,316
2001	37,719	560,526	-	17,544	252,632	-	868,421
2002	43,860	432,719	574,561	26,316	419,474	-	1,496,930
2003	43,860	317,544	5,879,912	57,018	485,088	-	6,783,421
2004	30,702	343,860	-	39,474	400,877	-	814,912
2005	30,702	956,667	723,684	102,632	559,123	-	2,372,807
2006	469,298	700,000	-	634,386	586,667	-	2,390,351
2007	-	833,333	-	817,544	658,772	-	2,309,649
2008	-	1,053,947	-	1,940,789	1,660,526	311,404	4,966,667
2009	185,570	1,344,142	-	1,402,396	2,353,860	-	5,285,968
2010	-	1,697,581	-	1,079,737	1,789,602	61,404	4,628,323
2011	1,979,787	2,002,786	-	1,761,287	2,829,879	87,719	8,661,458
2012	-	2,830,319	-	2,375,310	3,553,962	61,404	8,820,995
2013	3,982,433	11,762,122	-	3,420,927	6,974,790	428,770	26,569,042
2014	4,570,366	5,536,292	172,336	4,837,294	9,562,762	574,098	25,253,148
2015	3,440,301	8,121,741	292,168	3,910,653	8,458,045	572,332	24,795,240
Total	14,889,159	39,640,860	7,642,662	22,563,568	41,783,689	2,097,131	128,617,068

Note: 1) Unit: USD. 2) 1 USD = 1,140 KRW.

Source: KOICA internal PPP data compiled by author (January 2017).

4. Challenges of Korea’s Partnership with NGOs

Over a relatively short period, the role of NGOs in Korea's international development cooperation has rapidly expanded. The partnership between the Korean government and domestic NGOs was triggered by its political purpose as well as international trends. The PPP funds have continuously increased, especially since 2000, and the number of NGOs has burgeoned. The dramatic growth of NGOs enabled KOICA to expand partnerships with diverse organizations and increase the volume of PPP funds.

However, in my capacity as a CSO program specialist, I have heard organizations raise many concerns about issues such as autonomy, capacity and efficiency. In particular, KOICA's engagement institutionally hinders NGOs from increasing autonomy and maximizing their potential. NGOs carry the main responsibility for planning and carrying out KOICA’s PPP projects, but they have a limited autonomy during project implementation because the NGOs must report any change of plan to KOICA, which has to agree to it.

In addition, NGOs have an obligation to submit progress and financial reports biannually, increasing transaction costs as well as the administrative burden for both KOICA and the NGOs. This occurs because KOICA over-emphasizes monitoring rather than evaluation; the current system favors budget spending and project outputs over project outcomes. In my capacity as a CSO program specialist, I have seen engagement with NGOs overwhelmed by the process controls and administrative costs, which eventually reduce efficiency and effectiveness.

This KOICA bias toward process, including the tight monitoring, reflects the limits of NGO capacity. The majority of development-NGOs in Korea have emerged since 2000. Due to their relatively short history, many have deficits in expertise, lack project-management capacity, and face financial constraints (Son, 2015). NGOs do not consistently deliver quality projects, primarily because of these capacity constraints and a lack of experienced personnel.

KOICA’s work with Korean NGOs has shown that the latter depend heavily on their own experience in developing countries. Certainly, experience is an important aspect of capacity, but it is not sufficient in itself for project planning and implementation. Many projects have derived from poor feasibility studies, and most NGOs have only conducted a small range of community interviews and research. They seldom study relevant sectors, similar projects, or related stakeholders, which leads to poor project planning. Consequently, KOICA has imposed various conditions on budgeting and result monitoring. In particular, new partners usually suffer from lack of administrative capacity, which increases transaction costs and decreases project quality. As a result, the number of projects and partners increases, but the quality of projects, their efficiency and their effectiveness remain in doubt.

It is important for KOICA to improve the quality of development projects and expand the pool of competent partners. Therefore, KOICA has supported NGOs not only by financing development projects but also by investing in building their capacity. For example, KOICA provides new partners with programs that provide training, study visits, consulting and so forth, usually drawing on the expertise of academics and more-experienced NGOs. However, a large gap remains in development-NGO capacity.

More notably, KOICA's PPP program tenders do not specify partner NGO capacity or experience. Until 2015, KOICA classified its PPP programs by the type of actor, such as NGOs or academia; however, since projects conducted with NGOs and academia were highly similar, KOICA now classifies projects by sector. The PPP program does not distinguish between experienced NGOs and small or medium-sized ones, which means that any NGO can apply for the official calls regardless of capability or experience. Instead, KOICA controls the number of projects for which a single NGO can apply, to provide more opportunities to various partners.

On one hand, this system might seem to provide a fair mechanism, but on the other hand, it maximizes neither NGO capacity nor project efficiency. NGOs — especially experienced partners — do not need to try innovative projects, whose results are more uncertain and difficult to prove. Instead, NGOs tend to propose more typical projects modeled on prior successes.

Sustainability of PPP projects has also proved a key concern. After a project's completion and the departure of the NGO, who will keep it going? Unlike bilateral aid projects, PPP projects may be initiated by NGOs and local communities rather than by central governments. Key partners in developing countries (such as local NGOs and municipal governments) suffer from a perennial lack of funding, and thus without additional resources, they cannot continue the projects. Local governments usually cooperate in implementing projects, but can offer little financial support.

Moreover, PPP projects usually have narrower coverage than bilateral projects, targeting a smaller number of people or places with a smaller volume of aid. Therefore, local governments put little emphasis on PPP projects, and their participation during project implementation is recommended but not mandatory. Rarely do NGOs hand over projects to local governments after project completion. This relatively narrow project coverage, as well as NGO dependence on external financial resources, often affects the sustainability of PPP projects.

5. Conclusion

The number of partners and projects engaged in the NGO-KOICA collaboration has rapidly increased over the past 20 years. However, several challenges remain in this partnership, particularly from the perspective of effectiveness and sustainability. First of all, the capacity gap among NGOs remains large due to their relatively short history, and many of them are highly dependent on government funding. In addition, the design of PPP programs targets all development-NGOs, which vary greatly in size, experience, and management capacity. This means that many PPP projects tend to be simple and to resemble one another. In particular, less experienced NGOs have often performed poorly. Finally, KOICA has created many conditions and strengthened its monitoring process to manage diverse partners and projects; this consequently limits NGO ownership and increases transaction costs.

From KOICA's engagement with NGOs, I have seen that the NGO role in Korea's ODA has mainly focused on delivering development benefits at the community level and expanding KOICA's coverage. Until now, KOICA has focused on expanding the number of NGO partnerships. Increases in PPP funding definitely result in higher NGO participation in the development field; they ensure increased quantities of aid for developing countries, but do less to improve aid performance. Despite the increasing size and sophistication of PPP projects, they still face challenges in areas such as sustainability and effectiveness.

It is time to ripen this collaboration. Blanco (2010) examines the conflicting and collaborative relations among central governments, markets and CSOs, pointing out that CSOs are less influential because of their limited access to material and human resources. I believe it is necessary to build a solid long-term strategy and fill the NGO capacity gap in order to strengthen the partnership and promote performance quality. PPP programs should distinguish between NGO partners on the basis of capacity, the better to reduce transaction costs and maximize effectiveness. In addition, I would argue that the crucial issue in the PPP partnership is striking a balance between NGO autonomy and KOICA’s requirement of promoting accountability as well as effectiveness.

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CHAPTER 4

The Asia Foundation Co-Creates a Chinese NGO "Going Out" Operation Manual

By
Zeng Lu

Abstract

By a conservative estimate, more than 100 Chinese NGOs currently pursue development cooperation projects in Africa and Southeast Asia, a number likely to increase with the unrolling of the Belt and Road Initiative. Although growing government approval supports such efforts, these NGOs face numerous challenges, such as limited funding support, an unclear policy environment, and substantial capacity gaps among staff. In 2015, the Asia Foundation (TAF) collaborated with the Chinese Foundation for Poverty Alleviation (CFPA) to create an operational manual for these outbound NGOs. The present chapter offers the manual's creation as a case study in the evolution of Chinese foreign aid. It examines the increasing presence of NGOs in aid projects, particularly since the Nepal earthquake in 2015, and stresses the role that NGOs can play in modernizing and improving Chinese aid responsiveness and sensitivity to local needs. However, such NGOs themselves face capacity constraints and require different skill sets for working abroad. All told, over 50 practitioners and NGOs contributed to the creation of a manual addressing those needs, developing concrete strategies for feasibility studies, stakeholder engagement, daily operations, fundraising, and project management. The Manual seems poised to contribute strongly to future government-NGO partnerships as Chinese development cooperation and FDI expand.

1. Introduction

China has become the world's leading South-South cooperation aid provider and the second largest country of origin for overseas direct investment (ODI). China's growing global influence has also manifested in its new Belt and Road Initiative (BRI) and the creation of the Asian Infrastructure Investment Bank (AIIB). This paper will argue that Chinese NGOs have shown strong interest in working on development challenges outside China in recent years. By a conservative estimate, more than 100 Chinese NGOs currently operate in Africa and Southeast Asia (Hasmath, 2016). Although growing government approval supports such efforts, NGOs face numerous challenges, such as limited funding support, an unclear policy environment, and substantial capacity gaps among staff.

As an international NGO with six decades' experience in Asia, the Asia Foundation (TAF) has worked closely with Chinese partners to address the key challenges that Chinese NGOs must address in going global, especially their capacity constraints. In 2015, TAF partnered with the China Foundation for Poverty Alleviation (CFPA) to develop a Chinese NGOs "Going Out" Operational Manual. The Manual has proven a useful and practical tool for strengthening Chinese NGO capacity and improving their program impacts in partner countries. "Going Out" in this paper refers to Chinese NGOs with international projects outside the country. This case study will discuss the story behind the Manual, its implementation, and its relevance to the evolution of Chinese foreign aid.

2. Outbound Chinese NGOs: Opportunities and Challenges

Traditionally, Chinese NGOs have focused on domestic challenges, such as education, poverty alleviation, community development, environment and health (Hsu and Hasmath, 2017). There are around 670,000 (China News Net, 2016) NGOs in China. Many of them have established proper organizational structures with internal governance, reliable fundraising approaches, connections to key stakeholders, successful project models, and the capacity to implement and replicate projects across China, helping millions of Chinese improve their lives.

The 2015 Nepal earthquake marked a tipping point (Beijing Youth Daily, 2015). Since then, the number of Chinese outbound NGOs has consistently increased in response to natural disasters around the world. Some NGOs have also launched their own international development projects for poverty alleviation, sanitation, and education. According to a 2016 survey, 34.1 percent of the 82 Chinese foundations interviewed had donated overseas in recent years; 2.4 percent of the foundations had staff working overseas for at least six months, and 3.7 percent of the foundations had offices overseas (Deng, 2017). China's outbound NGOs find an impetus in growing expectations around China's global responsibilities, and encouragement in the government's wish to improve the national image in foreign public opinion. In addition, some Chinese NGOs consider international programming as an opportunity to strengthen organizational capacity, and many Chinese companies investing overseas view Chinese NGOs as potential delivery partners for their local corporate social responsibility (CSR) programs.

Chinese outbound CSOs could open many opportunities by sharing China's successful experience in poverty alleviation, especially given their role in promoting sustainable and inclusive growth by providing services to the marginalized groups. For example, the Amity Foundation provided services to 55,000 elderly and vulnerable people in 2014. Another example is the Global Environment Institute, which conducted successful environment conservation and advocacy projects. Such projects demonstrate capacities that could prove relevant for Chinese cooperation abroad.

Chinese NGOs can also significantly catalyze the modernization of China's foreign aid. Delivered by government agencies and state-owned enterprises (SOEs), Chinese aid receives considerable criticism about its insensitivity to the needs of local communities. Chinese NGOs can complement this traditional aid by focusing on education, health, and rural livelihood improvements. Chinese ODI has resisted adherence to international environmental and social standards (Dollar, 2016). For example, only one small Chinese bank has subscribed to the Equator

Principles, a set of international environmental and social standards adopted by western financial institutions for determining, assessing, and managing environmental and social risk in projects. Chinese NGOs can also become an important force to help Chinese companies design and/or deliver CSR programs that target the concerns and needs of local communities. In this way, they can promote responsible Chinese overseas investments.

Despite government endorsements and political support, working overseas requires a different set of skills than working domestically, and Chinese outbound NGOs face significant challenges in navigating overseas. Lack of government regulation in China for outbound NGOs has produced substantial operational difficulties. For example, normally Chinese organizations need an approval from the Ministry of Industry and Information Technology (MIIT) to set up foreign bank accounts. However, the MIIT is not responsible for providing such approvals for Chinese outbound NGOs since Chinese NGOs working abroad is a new phenomenon and they have not yet been included in the MIIT's responsibilities. Lack of funding support for outbound activities presents another common challenge. Resources for CFPA's international program mainly come from public fundraising efforts; however, the public does not understand the reason for (or value of) supporting other countries when China faces many development challenges of its own. Compared to international disaster response programs, CFPA found it difficult to raise funds for development cooperation, since the Chinese public and companies overwhelmingly focus on domestic issues (Philanthropy Times, 2015). The constrained capacity of Chinese outbound NGOs also creates barriers. For example, in 2010, it took CFPA three months to clear customs for materials donated to a Sudan hospital, due to limited understanding of the Sudanese customs system (Yin, 2014). During the 2015 Nepal earthquake, Chinese NGOs had to found a niche and coordinate with (and rely upon) the international organizations and local NGOs leading the delivery of recovery assistance — in contrast to the environment they operate in China (China Development Brief, 2016).

(1) The Asia Foundation in China

The Asia Foundation (TAF) works to improve lives across a dynamic and developing Asia. TAF has supported China's efforts to address its evolving challenges since 1979. As an international NGO, TAF works to understand local contexts, valuing the perspectives of Chinese stakeholders and cherishing local knowledge. Over the years, TAF has delivered programs in partnership with Chinese government authorities, research institutions, local NGOs, and private-sector actors. Among other areas, TAF supports a dynamic Chinese civil society and the country's constructive global engagement (Hsu and Hasmath, 2017); its network of 18 offices across Asia encourage mutual understanding on Chinese foreign aid, promote sustainable Chinese overseas investment, and strengthen the capacity of Chinese outbound NGOs. Supported by the Korea Development Institute (KDI), TAF engages Chinese policymakers, researchers, and practitioners in sharing their approaches and perspectives with their Asian peers, via the Asian Approach for Development Cooperation Dialogues (AADC); these have addressed a variety of important issues, such as Chinese foreign aid and the roles of the private sector and NGOs in development cooperation. TAF partners with Shanghai Institute of International Studies and has compiled a series of country case studies (such as for Cambodia and Lao PDR) on the impact of Chinese aid and investment in Asian countries, as seen from the perspectives of local stakeholders. TAF also works with industrial associations and CSR consulting agencies, developing tools that improve Chinese investor knowledge and practice on environmental and gender issues and stakeholder engagement. In addition, it has partnered with Chinese NGOs and their networks to develop practical manuals that can strengthen outward-bound capacities. For example, Chinese NGOs are used to disaster relief efforts led by the government in their domestic programs. When these NGOs begin programming in countries with different political systems, they face complex navigations among government and multiple other stakeholders (China Development Brief, 2016).

(2) The Chinese NGO Going Out Operational Manual – Why and How?

In collaboration with CFPA, in 2014 TAF developed a Chinese NGO *Going Out Operational Manual* to address key barriers hindering Chinese outbound NGOs and strengthen their capacities. Most Chinese NGOs have no English-speaking staff. In addition, they conduct one-off international projects that make it difficult to achieve substantial impacts. CFPA, signaled above as a leading Chinese poverty-alleviation NGO, began an international development program in 2005. TAF and CFPA brought in experts from four Chinese NGOs with international project experience to consult on the projects: CFPA itself; the World Future Foundation, a Chinese-funded entity based in Singapore; China Development Brief, China's leading NGO portal; and China Youth Development Foundation, a leading outbound Chinese NGO, famous for its Hope Schools. The project team developed the Operation Manual based on interviews, research, and three workshops.

Over 50 NGOs, development practitioners and researchers contributed to the Manual. During the initial workshop, experts from Tsinghua University and the China Association for NGO Cooperation (CANGO) analyzed the background, necessity, challenges and possible strategies of Chinese outbound NGOs.[24] Nine international and Chinese NGOs, including the Ford Foundation, the World Future (WF), Global Environment Institute (GEI), Médecins Sans Frontiers (MSF), and Youth Development Foundation (YDF), shared their outbound experiences, the key challenges they faced, and their expectations for the Operational Manual. For example, YDF shared its funding and personnel challenges during expansion of its Hope School project in Africa. GEI suggested that self-assessment would help NGOs better understand their capacity for operating abroad and proper timing of actions. MSF stressed the importance of understanding the local context of the partner countries. Following the workshop, the project experts interviewed office heads and program officers of 10 Chinese outbound

24 The initial workshop was conducted in March 2014.

and international NGOs on their overseas operations,[25] including CFPA, China Peace and Development Foundation, International Committee of The Red Cross, and Save the Children. Most Chinese outbound NGOs are still in the early phase of internationalization and therefore require essential basic capacities. Among other concerns, lack of funding support, understanding of local context, and staff and implementation capacity stood out as the main constraints.

To address these challenges, the second workshop endorsed five components for inclusion in the Manual; those deemed most critical for overseas operation included feasibility studies, stakeholder engagement, daily operations, fundraising, and project management. For example, the Manual suggests seven steps for NGO fundraising, including creation of an international expert pool, setting fundraising objectives, listing possible funding sources, identifying the decision-making structures of potential funders, initiating contact with such funder prospects, developing a project concept, and negotiation with funder(s) on project grants. In addition, the Manual included 10 case studies to demonstrate the key steps in each chapter, including Heifer International's case on fundraising,[26] which demonstrated how the seven steps worked. Based on the research and interviews, the project experts drafted the five chapters with the agreed-upon framework. CFPA and TAF then organized two rounds of peer reviews. Based on the comments from the reviewers, the final Operational Manual added a preface from Professor Deng Guosheng from Tsinghua University and an overarching chapter from Lu Bo from the World Future Foundation, summarizing the Manual development process and the importance of Chinese outbound NGOs. The Manual added a checklist on how Mercy Corps set up its overseas office as an appendix and a practical example for outbound NGOs (CFPA, 2015).

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25 Most interviews took place face-to-face in Beijing during May and June 2014. The interview with Hainan Foundation was conducted by phone.

26 Heifer International (https://www.heifer.org/about-heifer/index.html) is a NGO working with communities to end world hunger and poverty and to care for the Earth. The case study included the four key fundraising steps, including committee creation, positioning the organization in the ecosystem, setting up a fundraising team and partners, and interaction with donors.

(3) The Chinese NGO Going Out Operational Manual – How Has It Worked?

The Operational Manual drew the first roadmap for Chinese NGO overseas operations, and has found wide application in capacity-building activities for outbound NGOs. In 2016, the China Association for NGO Cooperation (CANGO) conducted two capacity-building workshops on use of the Manual for a total of over 200 NGO participants in Hangzhou (ZIFS, 2016) and Guangzhou (Zhongshan SOIP, 2016). Supported by government funding, the workshops covered key areas, including the five main components outlined in the Manual. One participant from Zhongshan City said that the systematic analysis of overseas Chinese civil society organizations (CSOs) operations that this training provided enhanced his knowledge of the international context and strengthened the international-programming capacity of his organization (Zhongshan SOIP, 2016). The Operational Manual is available on the website of China Development Brief, the leading NGO portal in China, and has attracted thousands of visits and downloads (CFPA, 2015). As the Chinese government recognizes the importance of public diplomacy in its pursuit of a greater role in global governance, the Manual will continue to provide guidance to Chinese outbound NGOs.

As China rolled out the unprecedented Belt and Road Initiative (BRI) to strengthen economic connections with over 60 countries, the government realized that local stakeholder views of China would prove increasingly vital to the success of Chinese-funded projects in partner countries. According to the government, the BRI rests on five linked pillars in policy, infrastructure, trade, finance, and people-to-people connections (Winter, 2016). There are indications that China will increasingly rely on Chinese NGOs to implement the people-to-people connections with partner countries. Such CSOs can contribute to this process by delivering friendly messages from China through development projects that directly benefit local communities and stakeholders. Chinese President Xi Jinping endorsed the role of NGOs in global economic governance in his congratulation letter to the 2016 Civil Society 20 Submit (Xinhua, 2016). In September 2016, China's

Ministry of Commerce (MOFCOM) released the draft management mechanism of the new South-South Cooperation Assistance Fund (SSCAF) for consultation (MOFCOM, 2016). Once launched, SSCAF will allow Chinese NGOs to tap into China's aid budget and implement international programs for the first time. In addition, relevant government authorities have established a NGO "Going out" coordination mechanism, led by the China NGO Network for International Exchanges (CNIE), a non-governmental entity under government organization. The government will thus start to partner with Chinese NGOs in strengthening people-to-people linkages and enhancing public diplomacy between China and other developing countries (Xinhua, 2017). This is a significant breakthrough in China's foreign policy; it means reliance on aid policy and NGOs will soon complement the traditional economic relationship China has maintained with host countries, led by the state and private sector.

Within this context, Chinese NGOs continue to show strong interest in operating overseas, and the topic attracts considerable attention. As of 2017, CFPA has established offices in Nepal, Myanmar and Ethiopia (Luo, 2017). The AADC Beijing Dialogue on the Role of NGOs in International Development on 22-23 April 2016 attracted over 30 Chinese NGOs for exchanges with their foreign peers. On the other hand, additional challenges have arisen and the need to fill the outbound NGO capacity gaps has become urgent.

Many Chinese NGOs have established their reputation as organizations with proper organizational structures, reliable funding support, and connections to key stakeholders, capable of developing and deliver successful projects and helping millions of Chinese improve their lives. All these strengths assist the overseas programming of Chinese NGOs. However, as noted above, many lack the skill sets required for overseas operations. Among other capacity challenges, Chinese NGOs have limits in understanding different political contexts, establishing a proper and sustained funding strategy to support international programs, and recruiting and retaining appropriate staff. The *Going Out Operational Manual* is the first capacity-building material of its kind, and has provided a systematic roadmap for outbound Chinese NGOs, especially those with less experience.

Building on the Manual, TAF will partner with CFPA to develop a Nepal-specific edition to provide targeted, in-depth guidance for Chinese NGO operations in Nepal. In tandem with this, TAF will work with CANGO to develop a voluntary Code of Conduct that will share best practices for NGOs in international development.

3. Conclusion

Compared to Chinese aid and investment, Chinese NGOs are new to the international stage. Developing countries can learn a good deal from China's phenomenal growth and experience to improve their own development trajectories. Experiences and perspectives from the Chinese NGOs will prove highly relevant and valuable in this process. In recent years, Chinese NGOs have substantially increased their interests and coverage in international development and disaster risk management. The Chinese government has also begun to articulate policies in support of Chinese outbound NGOs. However, numerous challenges remain — in funding support, the regulatory environment, and the capacity constraints of Chinese NGOs. It will take patience and hard work for NGOs and policymakers in China to remove some of these barriers. Partners such as international NGOs can play a critical role in this process by sharing their international networks, best practices, and their own lessons and experiences. The Asia Foundation recognizes the great importance of NGOs in international development cooperation and will continue to foster the strengthened capacity of Chinese NGOs, the better to unlock their enormous potential in "Going Out".

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CHAPTER 5

CSOs in Indian Development Cooperation: Towards an Enabling Environment

By
Kaustuv Kanti Bandyopadhyay

Abstract

This chapter argues that the capacities Indian CSOs have acquired in other developing countries could create a wider impact for India's official aid, if the government became more willing to incorporate such expertise. The chapter first briefly introduces India's cooperation modalities within the broad tradition of South-South cooperation (SSC), before discussing contributions made by Indian CSOs nationally and internationally. It provides some concrete examples of cooperation between these CSOs and stakeholders in other developing countries, particularly in Asia and Africa. It draws some critical lessons from these examples as they pertain to SSC principles and practice. The author next highlights challenges that Indian CSOs face in practicing SSC, particularly the constraints imposed by the current legal and regulatory environment within India. The author then discusses recent CSO advocacy efforts, including their engagement in the multilateral processes set up by Brazil, Russia, India, China, and South Africa (BRICS). The final section offers some concrete suggestions for creating an enabling environment for Indian CSOs in order to make India's development cooperation more open and inclusive.

1. Introduction

Indian civil society organizations (CSOs) have played myriad roles in the country's development. The contributions of CSOs in elementary education, primary health care, natural resource and environmental conservation, local governance, and many other fields have received considerable government recognition (Planning Commission of India, 2007). Many innovations and inclusive practices, the outgrowths of experimentation in the Indian context, have not only expanded across the nation but come into use in other developing countries. The Indian government's current official development cooperation, however, does not adequately recognize and engage CSOs (Mawdsley and Roychoudhury, 2016).

This chapter argues that over the decades, many Indian CSOs have acquired considerable capacities and outreach scope in other developing regions — particularly in parts of Asia and Africa — and if the Indian state would include and apply such expertise, its development cooperation could see far greater impact. The first section in this chapter briefly introduces India's cooperation modalities within the broad tradition of South-South cooperation (SSC). The second section presents an account of contributions by Indian CSOs, nationally and internationally. It provides some concrete examples of cooperation between these CSOs and development actors in other developing countries, particularly in Asia and Africa. It draws some critical lessons from these examples with relevance for the principles and practices of SSC. The third section highlights challenges that Indian CSOs face in participating in and practicing SSC. The fourth section illustrates recent advocacy efforts by Indian CSOs, including their engagement in the processes set up by Brazil, Russia, India, China and South Africa (BRICS).[27] The final section offers some concrete suggestions for

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27 The BRICS acronym stands for an association of five nations – Brazil, Russia, India, China, and South Africa. Originally coined by Jim O'Neil of Goldman Sachs, the term initially grouped the first four countries as BRIC, adding South Africa in 2010. Since 2009, seven BRICS Summits have taken place. This group of five nations has launched the New Development Bank which became functional since 2014, after the Sixth BRICS Summit in Fortaleza, Brazil.

creating an enabling environment for Indian CSOs in order to make India's development cooperation and SSC more open and inclusive.

2. India's Development Cooperation

The history of Indian development cooperation dates back to the country's independence. In fact, the first instance even goes back to the pre-independence interim government formed in 1946 (FIDC, 2016). In recent decades, India's cooperation with other developing countries has grown significantly, adding more countries and more modalities to its portfolio. Although it is itself a developing nation with large numbers of poor people, India has shared its knowledge, experience, technology, and resources with peer nations in similar situations. A sense of solidarity, empathy, ideology, and pragmatism around international politics and diplomacy has guided this sharing. The emergence of a new confidence, inspired by consistent economic growth and accompanied by growing global aspiration, has spurred India to redefine and reinforce its development cooperation. The global development community expects an enhanced contribution from India, especially within the framework of the United Nations Global Compact and Sustainable Development Goals (SDGs).

According to Chaturvedi (2015), India's development assistance programme has the twin objectives of mitigating poverty and revitalizing economic growth in partner countries, and currently works through five implementation channels: capacity-building and skills transfer, technical cooperation, grants, development finance (including concessional loans and lines of credit), and trade and investment (which also include credit lines). This broad portfolio of modalities allows for flexibility that makes it attractive for partner countries in the Global South.

In recent years, the volume and diversity of Indian assistance, under the broad rubric of SSC, has grown exponentially. According to one estimate, India's development assistance programme grew more than twelve-fold between 2001 and 2014 (from INR 11.86 billion to INR 147.59 billion). As of 2014-2015, Indian assistance through grants and loans came to USD 1.4 billion (Mullen, 2014).

The Indian Ministry of External Affairs (MEA) set up the Development Partnership Administration (DPA) in January 2012 in order to coordinate the growing number of instruments and higher resource volumes deployed in Indian cooperation. The DPA aims to streamline and improve delivery of these varied elements through the stages of project conceptualization, launch, implementation, and commissioning through Indian agencies.

India's current cooperation practices still take their guidelines from the framework and principles of SSC, but they have not exploited the potential soft power[28] and density of relationships that CSOs can bring to this compact. SSC conceptually acknowledges and envisages the role of people-to-people contacts in extending solidarity between developing societies. However, Indian development cooperation modalities and their deployment — largely government-to-government and business-to-business — do not optimize soft power, which substantially resides outside the state. This state-centricity in SSC practice makes it truncated and inadequate, as it does not tap into the energy, talent, knowledge, expertise and network of relations available with Indian CSOs. We will argue that Indian CSOs could enhance the effectiveness of Indian development cooperation and India's soft power through people-centric development interventions such as training, capacity building, networking, advocacy, and knowledge production in the form of actionable research.

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28 The term "soft power" was first used by the American academic Joseph Nye (1990) to describe the ability to attract and co-opting rather than coercing, using force, or giving money as a means of persuasion. India has a great repository of such non-coercive soft-power resources: its spiritualism, yoga, cuisine, movies, television soap operas, and classical or popular dance and music have fascinated people and societies across the world. The knowledge, skill, and wisdom residing in the numerous Indian diaspora across the world also supply a vast source of soft power. This repository also includes the knowledge, skills, affordable technology, and participatory methods created through Indian CSO innovation.

3. Development Cooperation Experience of Indian CSOs

Indian CSOs have a long history. Apart from their broad presence throughout the country, they are diverse and vibrant (PRIA, 2000, 2001; Tandon, 2002). After the Emergency[29] (1972-1975), India witnessed a phenomenal growth in domestic CSOs, which contributed significantly to the creation of more inclusive and effective social policies. CSOs in India have traditionally worked in social and economic policy areas such as primary education, primary health care, housing, microfinance, sustainable agriculture, and governance, through a combination of innovation, empowerment, and advocacy. Their development interventions focus on citizens, crucially women, tribals, dalits, minorities, and other marginalized groups (Mahajan, 2002; Behar and Prakash, 2004).

In order to capture the diversity in Indian CSOs, Tandon and Mohanty (2002) presented a classification based on types of citizen association. They defined the meaning of civil society as "collective initiatives for common public good" and classified Indian CSOs into four "types" of associations — traditional and religious associations, social movements, membership groups, and intermediary associations. It is the last-named that interest us chiefly in the context of CSO-driven SSC.

Drawing on their practices in India, many Indian CSOs have extended solidarity and support to other developing countries, providing knowledge, technology, and skills support to promote sustainable and inclusive development; their partners include local communities, CSOs, and sub-national and national governments. The methodologies

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29 The President of India declared a state of emergency on June 25, 1975 through an ordinance. The Indian government suspended all fundamental rights, arrested a number of politicians, and imposed censorship on the media for 19 months (June 1975-March 1977). Shri Jai Prakash Narayan, a political activist and social reformer, called for comprehensive political, social and economic reforms known as "Total Revolution". He inspired hundreds of youths to join the movement. Many of these young people later continued their engagement and provided leadership to various social movements through voluntary organisations.

developed under similar contexts of poverty, exclusion, and inequality have, with local adaptations, proven relevant in other developing countries. Barring a handful of cases, these initiatives have drawn their support and financing chiefly from international nongovernmental organizations (NGOs) from developing countries, along with bilateral donors from the Organisation for Economic Cooperation and Development (OECD) countries, the United Nations (UN), and other multilateral agencies. The next section presents four cases of long-standing Indian CSOs that have scaled up their interventions in countries across Africa and Southeast Asia. These cases provide valuable lessons in the soft-power potential of participatory, citizen-centred approaches and how this can enhance SSC.

***Case 1*:** Development Alternatives (DA), an Indian CSO, was established in 1983 with a mission to help eliminate poverty and regenerate the environmental resource base through scalable methods. Its approach to innovation, implementation, and influence helps create models that generate both sustainable livelihoods and impacts on a large scale. DA develops eco-solutions and works with partners (government agencies, local entrepreneurs and civil society) to market these solutions in a commercially viable and an environmentally-friendly manner to an ever-growing body of consumers. DA has pioneered several eco-friendly, resource-efficient building material technologies and production systems that can contribute to sustainable infrastructure development and job creation. These include clean technologies in brickmaking, technologies that reduce the use of virgin resources and replace them with industrial wastes, and carbon-saving and waste-recycling innovations. DA methods adapt especially well in the micro-, small and medium-sized enterprise (MSME) sector, in India and globally.

Between 1995 and 2001, DA created brick-production technologies and systems, low-emission building materials, and industrial waste utilization in India with support from the Swiss Agency for Development and Cooperation (SDC). These building products and related services have reached over one million customers in India who have built new homes and upgraded existing houses and service establishments.

Dhaka, the capital city of Bangladesh and one of its most populous, has seen rapid growth in demand for construction bricks, whose production tends to increase greenhouse gas emissions. In 2009, a consortium led by DA (including Skat Consulting, Switzerland and Practical Action, Bangladesh) introduced the Vertical Shaft Brick Kiln (VSBK) as a demonstration package for Bangladesh entrepreneurs, aiming to create awareness of alternate means of reducing air pollution (Prajapati and Maity, 2010). The pilot demonstration of the VSBK technology created substantial interest among all major stakeholders in the Bangladesh brick industry. The Bangladesh Ministry of Environment and Forests took a keen interest in it as a replacement for the existing energy- and resource-intensive fixed chimney kilns. Apart from reduced emissions, the technology also increased profitability 20 percent because of reduced coal and labor usage. Entrepreneurs and regulatory agencies both expressed interest in adopting the VSBK system, on the score of enhanced profits as well as compliance with environmental standards (Darain *et al*., 2013).

The intervention by DA engaged local communities, CSOs, private entrepreneurs, government authorities, and international donors in promoting VSBK as an energy-efficient technology for greening the Bangladesh brick industry. This collaboration institutionalized learning and behaviour changes within an ecosystem that supported the brick industry (Kumar, 2016).

Case 2**:** CUTS International (Consumer Unity and Trust Society International), an Indian CSO established in 1983, has evolved into a respected organization promoting consumer rights. Its Indian interventions received an impetus from a 1984 amendment to the 1969 Monopolies and Restrictive Trade Practices Act (MRTPA) that brought unfair trade practices within the purview of the MRTPA (CUTS International, 2014). Its work with the Competition Commission of India led CUTS to believe that competition would encourage enterprises to strive for efficiency and innovation, ultimately leading to more diverse and/or higher-quality products and services at lower prices. CUTS also works on the assumption that competition among enterprises should remain just and fair. However, many developing countries in the

Global South worry that such competitive regimes run the risk of exposing domestic enterprises to global competition. They may have either no consumer protection laws or inadequate ones; they often also have weak capacities for drafting laws in the best interest of their economies, ones that can protect the poorest sections of their populations and yet remain compatible with international frameworks such as those established under the World Trade Organization (Mehta and Sengupta, 2012).

Having worked in India for several decades, CUTS International has developed enormous on-the-ground experience rooted in the Southern context. Since 2000, with support from the United Kingdom's Department for International Development (DFID) and other donors, CUTS has provided its knowledge and capacity-building in competition reform and consumer empowerment to over 30 Asian and sub-Saharan African countries, engaging many state and non-state actors. In each country, CUTS facilitates an initial assessment to understand the existing barriers, as well as ways to evolve national competition regimes. The team next implements a well-defined capacity-development strategy for national stakeholders, including policy-makers, regulators, CSOs (particularly consumer groups), academics, and media figures, to help them understand and appreciate competition concerns from national, regional and international perspectives.

CUTS provides inputs into both the drafting of new competition legislation and reforming of existing laws, for example in Botswana, Kenya, Mauritius, Vietnam and Zambia (Sengupta and Sharma, 2016). It contextualizes and adapts best practices for each specific country context, in areas from public procurement and negotiations to participation in economic diplomacy, in order to influence outcomes of future policies on global trade, technology and investment; it also promotes understanding of the trade rules that apply to intellectual property rights (Mehta and Sengupta, 2012). In order to develop local ownership, CUTS creates a small group of key stakeholders and opinion leaders – referred to as the National Reference Group (NRG) – in each country. The groups have become the local champions of promoting and strengthening competition regimes and agencies, considered as both the guide and the ambassador of such projects in each country (Sengupta and Sharma, 2016). Comprised of diverse stakeholders at the country level, the NRGs play a key role in identifying research gaps and capacity-building needs, reviewing project studies, organizing training programmes, and contributing to advocacy campaigns to promote policy change.

Case 3**:** The Society for Participatory Research in Asia (PRIA), an Indian CSO, was established in 1982. It works to strengthen citizen participation in aid and enhance transparency and accountability in local governance. PRIA also supports marginalized communities in realizing their rights and entitlements, and helps local governance institutions develop capacities that respond to the needs of these communities. Analysis of governance deficits in Indian, Bangladeshi and Cambodian municipalities shaped its Deepening Local Democratic Governance through Social Accountability in Asia project, supported by the UN Democracy Fund. PRIA implemented this project with two CSO partners – PRIP Trust in Bangladesh and SILAKA in Cambodia. PRIA's decades-long programmatic partnership with these CSOs helped them build a strong consortium. Implemented between 2011 and 2013, the project chiefly aimed to promote social accountability mechanisms in municipalities (PRIA, 2013).

PRIA helped develop capacities for local communities, urban local bodies, CSOs, media and utility companies, and national ministries, improving public service delivery by promoting participation and accountability at the local governance level. The CSO used a combination of strategies such as citizen mobilization, campaigns, capacity-building, and participatory monitoring (PRIA, SILAKA and PRIP Trust, 2013). Citizen mobilization contributed to the formation of neighbourhood committees, which provided an effective space for citizen engagement. Capacity-building helped municipal councillors and officials become aware of the importance of a transparent and accountable municipal governance system. In partnership with these municipalities, PRIA helped create models for social-accountability mechanisms — such as citizen charters, proactive information disclosure, and grievance redressal — to enhance citizen access to information and basic services. The consortium also developed partnerships with local CSOs and facilitated training sessions, exposure visits, and on-site troubleshooting support to help the CSOs acquire new knowledge about urban governance and social accountability. The study visits to India helped them understand how they might work with municipalities on social accountability and governance in urban areas (UNDEF 2014).

***Case 4*:** Self-Employed Women's Association (SEWA), an Indian CSO, was established in 1972. It is one of the largest organizations of poor, self-employed and informal-sector women workers in India. SEWA initially worked with street-vendors; it realized that there were many similarities between the issues facing informal-sector women workers in India and in various African countries. It has built close associations with unions in South Africa, Ghana, and Nigeria to promote the rights and well-being of informal workers, especially women. SEWA leaders have exchanged several visits with their African counterparts to learn from each other and support collective action (SEWA, n.d.; Indian Express, 2016).

These interactions with African trade union leaders indicated the local relevance and utility of SEWA's integrated approach, especially for women workers. SEWA joined with the Self-Employed Women's Union (SEWU) and South African SEWA (SASEWA) in South Africa; the Organisation for Women in Self-Employment (WISE) in Ethiopia; the Conservation, Hotel, Domestic and Allied Workers Union (CHODAWU) in Tanzania; and the Trade Union Congress (Ghana) in Ghana. Together, they conceptualized a project intervention called SETU Africa.

The Indian MEA requested that SEWA design, develop and monitor a project to strengthen popular organizations in five African countries – South Africa, Ethiopia, Ghana, Tanzania and Senegal – over 36 months beginning in November 2012. The project sought to empower informal women workers through an integrated approach led by the women themselves. The result, VimoSEWA, is an insurance program aimed at providing social protections for SEWA members to cover their life-cycle needs and the various risks they face in their lives. Crises such as illness, widowhood, accident, fire, communal riots, floods and other such natural and man-made calamities result in the loss of work, income, and assets for poor working families. Through this insurance organization, in which they act as users, owners and managers of all services, SEWA members receive coverage for death, asset loss, widowhood, personal accident, sickness, and maternity, as well as medical insurance for themselves and their families.

SEWA collaborated with local organizations in South Africa, Ethiopia, Ghana, Tanzania and Senegal to assess the needs and priorities of their populations, determining what existed and what additional inputs were required. In the first year, SEWA organized needs-assessment workshops in South Africa, Ethiopia and Tanzania and conducted assessment studies in all five African countries. After this phase, SEWA and its respective partners undertook the following interventions in each country: *microfinance* activities that promoted self-help groups providing integrated financial services (savings, credit, insurance and pension), along with capacity-building and financial literacy; *microenterprise and livelihood promotion* that examined local feasibilities, markets, etc., and then helped organizations set up their own viable micro-enterprises; plans for extending *micro-insurance* to local communities, especially women, along with capacity-building to help local organizations implement this; *health and child care* systems development (tailored to local conditions and needs) targeting women and children, including basic primary health care, health education, and life-saving information; and *organizing women into unions and cooperatives and strengthening their existing leadership,* building capacities in cooperative and activity management and helping women lead their own organizations (Chatterjee, 2015).

The SETU Africa Programme illustrates how an Indian CSO has responded to the pressing needs of the poor and marginalized in five African countries by using an integrated approach to poverty reduction and self-reliance for women and their families.

(1) Lessons Learned by Indian CSOs in Promoting SSC

These four cases provide some critical lessons about Indian CSO strategies that aid SSC, and how projects conceptualized in India could transfer to other countries and promote partnerships with their governments. All the Indian CSOs described here respond to the needs and concerns of citizens, especially those from the marginalized sections of society who lack voices and bargaining power. This focus on the marginalized has pressing importance for many African, Southeast Asian and Latin American governments concerned with extending the benefits of development to all their citizens. Before Indian CSOs begin project implementation in other countries, innovations first undergo a pilot stage and assessment in India; the lessons derived then become part of the project design and knowledge shared with partner countries. Most of the projects discussed here made efforts to deepen local ownership and mutual trust while holding each partner accountable for expected changes from the conceptualization stage. Before implementation, each CSO analysed the design of appropriate interventions for each situation with the involvement of local actors. Such an approach enhances the likelihood of success in other contexts. The capacity-building expertise of Indian CSOs is crucial for creating sustainable interventions in other Southern countries. All the examples created a favourable institutional ecosystem in which multiple stakeholders developed new knowledge, capacities, and practices to effect positive change. This process of acquiring new knowledge and practices should involve all concerned stakeholders; engaging one stakeholder alone rarely proves effective.

(2) Challenges Faced by Indian CSOs in Promoting SSC

Despite the impressive diversity of experience evidenced in the previous section, Indian CSOs face formidable challenges in institutionalizing their participation in official development cooperation. In the past, both cooperation and confrontation have characterized their engagements in domestic development policy issues, which necessarily played out within a democratic framework and competitive politics. CSO expertise and information have benefitted many public policies and their implementation. However, over the years, challenges have emerged in the legal and political environment in which Indian CSOs operate and engage with contemporary issues, both nationally and internationally (VANI, 2014).

Most Indian laws relevant to CSOs are meant to regulate their inflow of resources, particularly from foreign sources. The current set of laws — such as the Foreign Contribution Regulation Act (FCRA), the Income Tax Act, the Societies Registration Act, and other acts — pose significant legal hurdles for the work of Indian CSOs in other developing countries.

- Foreign Contribution Regulation Act (FCRA): This is the most common topic in discussions about the regulatory framework of CSOs in India. Begun in 1976 as an ordinance during the Emergency, the FCRA has not only survived successive governments, but has also become increasingly restrictive (PRIA, 2001). Recently, some high-profile cases have occurred in which the Indian government investigated and canceled foreign donation receipts for certain nonprofits (Greenpeace India, the Sabrang Trust, and the Lawyers Collective have grabbed the most attention). However, the larger global and national context since 9/11 and the subsequent "war on terror" have resulted in much closer scrutiny for receipt and utilization of foreign contributions in India as well. The most critical 2010 FRCA amendment made renewal of CSO registration mandatory every five years. The first round of registration renewals took place over the last year, and several CSOs failed to obtain renewals. This has raised fears amongst CSOs about receiving foreign donations in the future. A somewhat problematic aspect of the FCRA has always been the interpretation of its sweeping phrases, such as "national interest" and "activities of a political nature". The regulatory authorities have now begun to define such terms more closely and enforce them more strictly. The current rules allow FCRA-registered organizations to receive foreign funds only for use in India, and do not allow transfer of these funds outside the country.

- Laws related to legal incorporation: CSOs in India have one of the following options[30] for legal incorporation: Society (under the Society Registration Act 1860), Trust (under the Public Trust Act 1882), and Nonprofit Company (under Section 8 of the Indian Companies Act 2013). "Society" is the most common form of registration used by Indian. The Society Registration Act is simple to use, and its overall provisions provide for significant autonomy in CSO activities. However, some of the state-specific Society Registration Acts limit the operation of a CSO outside the state territory, let alone permitting it to operate internationally.

- Income Tax Act 1961: CSOs in India are considered nonprofit entities only if they receive an annual "certification" as such from the income tax authorities. A small category of nonprofit organizations are *suo moto* tax-exempt, but all other entities, irrespective of their incorporation as Society, Trust, or Company, must register with the income tax authorities under Section 12A. In the past decade, the compliance mechanisms for the different Income Tax Act provisions have become increasingly strict and time-consuming. A CSO's objectives and activities, as specified in its Memorandum of Association (and Charter), require verification by the income tax authorities in light of the Section 2(15) definition of Charity. Moreover, the Act only allows disbursement of funds within India; any expenses disbursed outside India will lead to loss of Section 12A tax-exempt status.

Over the last decade, a perception has grown among many Indian CSOs that the government has gradually tightened the regulatory environment in which they operate (VANI, 2014). This perception was bolstered with the November 2016 cancellation of 11,000 organizations (in addition to the 10,000 FCRA registrations cancelled in 2015),

30 The two other options for legal incorporation include Trade Union Act 1961 and Cooperatives (both sectoral and multi-purpose) Act 2008. Some NGOs are registered as Trade Unions. The most notable example is the Self Employed Women's Association (SEWA). A large number of farmers' organisations, fishers' associations, and self-help groups are registered as Cooperatives.

reducing the number of CSOs permitted to receive foreign funding to 20,500 — fewer than half of the 42,500 registered under the FCRA in 2010 (Tikku, 2016).

Most innovations by Indian CSOs have received financial support from external donors, including bilateral and multilateral agencies, international NGOs, and foundations. In the past decade, funding to Indian CSOs from these sources has dropped substantially. Since the OECD Donor Assistance Committee recategorized India as a "lower middle-income country," a large number of bilateral donors and their recipient international NGOs have either withdrawn or declined to send aid resources to India. Indian CSOs that traditionally received funding from these sources now face a scenario of declining resources (VANI, n.d.). Moreover, despite growing investment in SSC by successive Indian governments, hardly any funding support has become available for CSO-led initiatives. There could be two possible reasons for this. First, the Indian government mostly uses financial instruments, such as lines of credit and concessional loans, to fund infrastructure development in partner countries. Such forms of cooperation leave very little scope for CSO engagement. Small development projects that focus on communities and leave room for CSO involvement seem to have received low priority in both India and partner countries. For example, Bangladesh and India signed a memorandum of understanding for small development projects in April 2013, but the projects have yet to see implementation on the ground. Second, management of the entire project cycle — appraisal, planning, implementation, monitoring, and impact assessment — is relatively closed, and relevant information does not necessarily appear in the public domain. This makes it rather difficult for Indian CSOs to engage with such projects. Publicly-available information helps CSOs learn the rules of the game and proactively offer relevant expertise that facilitates project objectives. CSOs that advocate for improving the governance and modalities of Indian development cooperation require this kind of information in order to engage constructively.

Many transnational interventions require community representatives, CSOs, and officials from other countries to travel to India for training sessions, workshops, conferences, dialogues, exposure visits, and other capacity-building events organized in the country. Most Indian CSOs find it difficult to arrange for attendees' visas in time. Since exposure to Indian experience plays a critical role in many such interventions, this difficulty adds to the anxiety that CSOs face. Ironically, arranging visas for South Asian delegates proves even more difficult, given the inconsistent diplomatic relationships between India and its South-Asian neighbors. In addition, many Indian CSOs also face challenges in arranging short-term visas for their staff for travel to other countries. Overcoming this challenge depends to a large extent on the relationship between the local CSO affiliate and the partner government.

(3) Advocacy strategies for Institutionalizing CSO Engagement

The practices of development cooperation by the Indian government and Indian CSOs have yet to converge. While both sets of practices have followed SSC principles, their instruments, modalities, and financing have remained independent of each other. Moreover, the interpretation and translation of these principles have also differed somewhat in practice, but have potential for complementarities. In recent years, Indian CSOs have proactively sought constructive engagement with the MEA particularly with the DPA.

The analysis that follows would suggest that Indian CSOs currently pursue a combination of strategies to advocate for greater engagement in India's development cooperation. These efforts have taken place both in the sphere of bilateral cooperation and through multilateral entities such as BRICS fora (see below).

The engagement between CSOs and government in India received significant impetus with the launch of the Forum for Indian Development Cooperation (FIDC) in January 2013. FIDC has evolved as a multi-stakeholder forum with representatives from CSOs, academia, think tanks, and the DPA. The Research and Information System for Developing Countries (RIS) – an independent think tank, linked to the MEA – currently acts as its Secretariat. FIDC aims to analyse trends in SSC and contextualize Indian policies by facilitating discussions across various sectors and stakeholders. It works towards raising awareness about development cooperation policies through seminars, discussion meetings, and publications (FIDC, 2017).

CSOs in India have understandably concerned themselves with issues related to domestic poverty, exclusion, and inequality. The enormity of these issues has warranted interventions from CSOs, and they have prioritized effective domestic solutions before attending to similar issues in other developing countries. This has required engagement with those ministries and institutions chiefly responsible for national and sub-national development policies. This left a vacuum in CSO engagement with the MEA, the body primarily responsible for conceptualizing and managing India's development cooperation in accordance with foreign policy. That said, Indian CSOs have proved both vigilant about and cooperative with the government's engagement with other multilateral and global governance institutions, such as the International Monetary Fund, The World Bank, Asian Development Bank, United Nations, and so on (PRIA, 1989; Carolyn, 2001; Martin and Tandon, 2014).

However, given this historical lack of CSO engagement in foreign policy issues and the divide between the development and the diplomatic communities, it became necessary for the FIDC to reach out to Indian CSOs. From 2013 onward, FIDC and its members organized a series of dialogues involving Indian CSOs and MEA officials. On the one hand, these enhanced MEA understanding and appreciation of Indian CSOs in development cooperation; on the other, they advocated with MEA officials for the value added through CSO engagement. In addition, the discussion papers, policy briefs, newsletters, and other knowledge resources produced and disseminated by FIDC and its various members augmented this outreach effort.

Over the last few years, FIDC has made significant efforts to bridge the gap between Indian CSOs and the government. In one notable instance, it organized a joint workshop as a side event of the UN Third International Conference on Financing for Development (Addis Ababa, July 2015) — perhaps the first-ever global event outside India jointly organized by CSOs and the government. On many issues, such as transfer of technology (particularly as related to climate change mitigation and adaptation), mobilization of domestic resources, and control of illicit financial flows, the Indian CSOs and government took a shared position. This not only helped in official negotiations between governments, but also in building civil society solidarity across developing countries.

These advocacy efforts also received significant encouragement with the India-Africa Framework for Strategic Cooperation document, a product of the Third India-Africa Forum Summit (held in October 2015 in New Delhi) that referenced the role of civil society in development cooperation. The framework agreement made a commitment to "[e]ncourage use of modern social networks to build communities of mutual interest. Linkages between academia, journalists, media entities and civil society will be further encouraged *inter alia* through the FIDC to document successful development interventions by civil society among communities in developing countries" (MEA, 2015).

These dialogues indicated that although many CSOs had programmes in developing countries, very few studies existed analysing these experiences from a SSC perspective. The research report on *Engaging Civil Society in India's Development Cooperation: A Compilation of Case Studies,* spearheaded by the Society for Participatory Research in Asia (PRIA) in partnership with other prominent Indian CSOs[31] (PRIA, 2015), filled this knowledge gap to some extent. The FIDC also brought out a directory of Indian NGOs engaged in SSC projects and programmes (FIDC and RIS, 2013).

(4) Indian CSO Efforts to Make the BRICS Inclusive

The emergence of the BRICS, and India's involvement in it, caught the imagination and attention of Indian CSOs, especially during the Fourth BRICS Summit hosted by India in March 2012. A small group of Indian CSOs met in a PRIA-organized workshop a week before the official summit. The memorandum they produced (PRIA, 2012) called

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31 The documentation included case studies of Development Alternatives Group, Basix, CUTS International, Society for Participatory Research in Asia, VimoSEWA, KABIL, Shack/Slum Dwellers International, Centre for Science and Environment, and Centre for Budget and Governance Accountability.

for greater attention to those trade and economic policies in BRICS countries that perpetuate and exacerbate inequality and exclusion. It urged the Prime Minister of India, as host of the summit, to take the lead in evolving an institutional means for continuing dialogue among CSOs in all five BRICS countries, the better to harness their practical knowledge in addressing the challenges of increasing inequality and exclusion.

However, we should note that although a separate BRICS Academic Forum took place concurrently, the official New Delhi Summit did not recognize any engagement with civil society. The next year, when South Africa hosted the Fifth BRICS Summit, CSOs from all five BRICS countries, including India, continued their efforts to engage from outside channels. Two sets of unofficial CSO events marked the fifth summit. The "Rising Powers in International Development Programme" of the Institute of Development Studies (IDS) based in the United Kingdom organized one cluster, involving civil society, academic institutions, and think tanks from the BRICS countries. An initiative called "BRICS from Below" organized the other event in Durban, presented as a "counter-summit." This initiative, since renamed "BRICS from Below, Middle, and Above", emerged as a network of activists and scholars from the BRICS countries, including India; it continues to engage critically from an anti-capitalist viewpoint (People's Forum on BRICS, 2017).

The Sixth BRICS Summit in Fortaleza, Brazil saw no major breakthrough vis-à-vis civil society engagement. A major departure, however, came in the Seventh BRICS Summit under Russia's presidency; the country not only hosted the first-ever Civil BRICS Forum prior to the official Seventh Summit, but also recognized the contribution of the Civil BRICS Forum in the official post-summit declaration.

Indian CSOs picked up the thread from the precedent set by the Russians. Prior to the Eighth BRICS Summit in Goa (India), the FIDC organized a meeting of the Civil BRICS Forum in New Delhi in October 2016. The forum deliberated at length on effective implementation of the SDGs and the need for robust monitoring and evaluation frameworks, as well as follow-up and review. It called for deepened and widened SSC in aid of achieving these global goals. The Civil BRICS

Forum also addressed issues such as global governance and development finance, inclusive multilateralism, quality of economic growth, health and malnutrition, youth livelihoods, skills and education, human security, peace and justice, sustainable urbanization, climate change, and vulnerability. Forum participants strongly advocated for mechanisms to institutionalize civil society engagement.

In the run-up to the Civil BRICS Forum, CSOs held a number of consultations in various Indian states. Wada Na Todo Abhiyan (WNTA), the People's Budget Initiative (PBI), and Oxfam India, along with CSO partners from the BRICS and other developing countries, met with various stakeholders, including academics, CSOs, social movement adherents, and policy experts from the BRICS nations. These meetings culminated in two sub-national consultations held in Goa and Ranchi in India in July 2016, ahead of an international consultation on the "BRICS and the Agenda of Equality and Social Change" in New Delhi on 28-29 July, 2016. Voluntary Action Network India (VANI), a national platform of Indian CSOs and one of the founding members of FIDC, organized a two-day international prelude meeting to the Civil BRICS Forum in New Delhi. This meeting aimed to discuss two pressing issues: means of enhancing CSO effectiveness in the current challenging environment (regulatory reforms, shrinking resources, and CSO needs for capacity-building), and potential resource exchange among the BRICS countries.

Continuing with the tradition set by the 2013 Durban "BRICS from Below" initiative, the People's Forum on BRICS took place in Goa immediately before the official summit. It involved a range of trade unions, social movements, academics, and CSOs from various BRICS countries; as described by the organizers, the meeting aimed to share analyses and build solidarity in the resistance against neo-liberalism and corporate globalization. The forum unequivocally called for the BRICS New Development Bank (NDB) to support transparent, participative, and accountable development that would be socially and environmentally sustainable and meet the needs of the poorest and most marginalized communities. It also urged the BRICS countries to promote an enabling environment for civil society to partner and contribute in the design, implementation, and monitoring of SDG efforts.

Apart from organizing these consultations over the last three years, Indian CSOs have also made contributions toward filling their knowledge gaps and have articulated their positions and policy asks through several policy-oriented research studies. Two seminal publications, *Engaging BRICS: Challenges and Opportunities for Civil Society,* published by Oxfam India (2012) and *Civil Society – BRICS Engagement: Opportunities and Challenges,* published by PRIA and FIM (2013), both advocated for civil society's strategic and constructive engagement with BRICS governments. Both also unequivocally argued that greater engagement of civil society would not only ensure the transparency, accountability and global responsiveness of BRICS policymaking, but also provide effective challenge the existing hegemonic functioning of other global governance institutions.

A majority of Indian CSOs understandably focus on domestic governance, democracy, and development issues, and only a few of them appreciate the rationale for India's development cooperation. Several leading CSOs, such as those mentioned above (PRIA, VANI, Wada Na Todo Abhiyan, Oxfam India) and the National Foundation of India have adopted a strategy of informing and mobilising the broader civil society constituency (other CSOs, academia, think tanks, and media) about India's global footprint. For example, as one of the founding members of FIDC, PRIA has organized several consultations with these constituencies to discuss possible means of engagement in India's development cooperation. A second strategy has showcased the domestic and international contributions of Indian CSOs through a number of policy research and case studies (PRIA, 2016; Arora and Chand, 2015). The combination of these two strategies by Indian CSOs has just begun to enable meaningful dialogues and mutual appreciation, but CSOs still face a long road toward achieving a respectable place in influencing or formulating development cooperation policy.

4. Towards an Enabling Environment for CSO Engagement

An enabling environment for CSO-led SSC and engagement in

India's official development cooperation will require attention on several fronts. Unlike other providers of SSC, such as Brazil and China, the Indian government has yet to come up with consistent policies in this area. Currently, emerging foreign policy priorities drive most official cooperation activities. As our cases have shown, official cooperation practice must recognize the complementarities that Indian CSOs can bring in pursuing social, political, and economic changes in partner countries. We can view these complementarities from two angles: project implementation and strategic partnership.

CSOs could become implementation contractors via a transparent procurement system that would short-list and vet a number of CSOs having different domains of expertise. When the DPA decides to undertake a project in a certain country, it could invite some of these short-listed CSOs to support project appraisal, design, planning, monitoring, evaluation, and impact assessment. The DPA might also identify certain focus areas based on local demand and assessment in a given country. It could then announce a call for proposals from these CSOs to undertake projects addressing the identified focus areas. The DPA could also invite CSOs with relevant expertise to offer on-line as well as face-to-face training and capacity-building programmes through the Indian Technical and Economic Cooperation Programme (ITEC) and its sister components. As our cases have shown, many CSOs have provided training and capacity-building support to a variety of stakeholders — other CSOs, local government institutions, government functionaries — as an integral part of their projects both within and outside India. Such capacities and experiences could find uses both in ITEC and other official development cooperation programmes.

At the strategic level, the Indian MEA could enter into strategic partnerships with Indian CSOs that have international reputations and relationships with other Southern countries. Such partnerships could focus on South-South alliance-building around specific issues such as climate change, global governance reforms, the SDGs, and so forth. These partnerships could act as catalysts for policy advocacy in transnational settings, e.g., with UN agencies, the BRICS institutions, the India, Brazil and South Africa (IBSA) Fund, the World Bank, Asian Development Bank, European Union, and so on. This will require the creation of a space for policy dialogue and exchanges between CSOs and the institutions involved in SSC.

For all their experience and track record, Indian CSO also have gaps in their capacities that might impact effectiveness or efficiency. Several studies have identified weaknesses in large-scale project management, research, analysis, impact assessment, strategic thinking and planning (Tandon and Bandyopadhyay, 2001; Tandon, 2002; Bandyopadhyay and Dwivedi, 2002). Investment in strengthening CSO knowledge and capacities, both in partner countries and in India, should figure strongly in the framework of cooperation between CSOs and the Indian government.

However, certain irritants need removal for these entities to work together, and both must strive to promote an environment of mutual trust. As discussed earlier, the current legal framework, created to regulate and control CSOs rather than to enable their contributions, needs a complete overhaul. The current Foreign Contribution Regulation Act, Societies Registration Act, and Income Tax Act supply cases in point. They should be replaced by an enabling law ensuring CSO transparency and accountability, as well as removing obstacles for their efficient functioning.

5. Conclusion

Many developing countries now prefer India's approach to development cooperation because of intrinsic features that promote mutuality and authentic partnership. However, the concept, design, and implementation of this cooperation largely takes place between governments, and only sometimes involves private and public enterprises. Notably, among SSC providers, India has diverse and capable CSOs with decades of international development experience and considerable, well-earned capacities. They have proven track records of facilitating sustainable social, political, and economic changes in India and in other developing countries. However, the Indian government has left such capacities and relations largely untapped and underused. If it could harness these capacities — particularly the soft power that resides within a diverse civil society — with an enabling policy framework, it could further bolster the current development-cooperation compact. As the volume, diversity, and complexities of India's cooperation increase, a robust institutional architecture becomes imperative, one that includes the institutionalized engagement of Indian CSOs. Dialogues between Indian CSOs and government in this direction have begun, but these require an enabling and trusting environment that can provide clarity for future institutionalized mechanisms.

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CHAPTER 6

The Secret of BRAC's Success and Why It's No Secret at All

By
Shehzeen Choudhury

Abstract

This case study reviews the core strategies of BRAC, the top-ranked Bangladesh-based NGO with operations in eleven countries across the developing world. The author discusses the foundational leadership and vision of Sir Fazle Hasan Abed, who began the organization after independence in 1972; three decades later, the organization took its domestic experience in poverty alleviation abroad, beginning with Afghanistan in 2002. With fundraising arms in the US and UK and a grassroots approach to intervention at the community level, BRAC developed "evidence-based" strategies to poverty reduction. The key principles developed by the founder include rigorous targeting of assisted populations, with interventions stepped according to relative degrees of recipient poverty; careful perfecting of the design and implementation processes, from the pilot stage through iteration and evaluation; and scaling up of successful interventions. The study also addresses how BRAC funds itself through sustainable social enterprises, which formed a vital part of its initial domestic success.

1. Introduction

Only BRAC[32] *can replicate the BRAC model* – much of the global non-profit community seems to share this assumption. And it is hardly a true one. BRAC, a Southern nongovernmental organization (NGO), does not have one model but many, and other development organizations have replicated them over the years. But it is true that BRAC's scale remains unmatched. What is the secret of BRAC's success and how is it spreading across the world? This case study draws on my intimate knowledge of BRAC and its leaders, gained through interviews and in my capacity as Head of Communications for BRAC International.[33] In this chapter, I describe how three fundamental rules and their successful implementation underpin BRAC's impact and internationalization.

The Founder and Chairperson of BRAC, Sir Fazle Hasan Abed, says that the intelligent design and adaptation of an anti-poverty program depends on three rules: (1) ruthlessness in targeting; (2) perfecting the process; and (3) scaling efforts to reach the greatest number of people with the best design (Zillman, 2016). For BRAC, these three rules have proven effective. Founded in Bangladesh in 1972, BRAC built a team of more than 100,000 employees in just 45 years.[34] The Geneva-based *NGO Advisor* ranked the organization number one in its 2017 Top 500 NGOs World Ranking (NGO Advisor, 2016). BRAC has retained this position for two consecutive years because of its innovation, impact, and sustainability. To understand BRAC's worldwide appeal, one has to delve deeper into the journey of the organization that started with one

32 At its founding, BRAC stood for Bangladesh Rural Advancement Committee. The name has changed a few times; most recently, the acronym stood for Building Resources Across Communities. Today, BRAC stands for itself.

33 Throughout this chapter, the author recounts details of interviews with Faruque Ahmed, Executive Director of BRAC International, and Jalauddin Ahmed, former Regional Director of Asia for BRAC International and draws on a journalist's interview with Sir Fazle Hasan Abed, BRAC Chairman. Her in-person interviews took place in Bangladesh in November 2017 and in January 2018.

34 According to internal BRAC Human Resource Department data shared with the author, staff headcount reached 100,981 as of September 2017.

man and his wish to heal his war-torn country.

When asked about the secret of BRAC's success, current leaders of the organization agree that Sir Fazle's visionary leadership propelled the NGO to its present position. Historical context also played a role in BRAC's wide acceptance. When Sir Fazle founded the organization in 1972, Bangladesh had just gained independence from Pakistan. Seeing people living in poverty, his country in tatters, Sir Fazle sold his apartment in London, collected a small donation from a friend, and started a relief operation in Sunamganj District, within the Sylhet Division of eastern Bangladesh (Abu Sayeed, 2017). He called this initiative the Bangladesh Rural Advancement Committee (BRAC). While providing relief remained the primary goal, new initiatives gradually emerged to eradicate poverty and empower women through financial access and community involvement. The first major donor to embrace the cause was Oxfam; others soon followed – UNICEF, Save East Bangal, F.R.C. Calcutta, the Ford Foundation, and many more.[35] Sir Fazle's dedication to poverty alleviation, transparency, and accountability to donors helped him establish strong relationships and led the way to long-term commitments.

2. BRAC Internationalizes Lessons Learned from Bangladesh

For the next three decades, BRAC innovated, tested and implemented its models across Bangladesh, becoming a household name. In 2002, now confident in its foundation, BRAC took the lessons learned and ventured into Afghanistan with a mission to support its neighbors. Of the decision to move into Afghanistan, Sir Fazle notes, "Afghanistan is like Bangladesh in the seventies. People wrote it off. But where were 140 million people going to go? If we had all written it off, what would have happened?" (Smillie, 2009: 235). To explain the relative ease with which BRAC went abroad, Jalaluddin Ahmed, former Regional Director for Asia, remarked that, as an NGO from the Global

35 BRAC's internal directory lists these organizations as the six earliest donors.

| Figure 6-1 | Outside Its Home Country of Bangladesh, BRAC Works in 10 African and Asian Countries

Source: BRAC International (2018).

South, BRAC was perceived as less threatening than other organizations based in the West. Thus populations cooperated with BRAC staff, who themselves came from familiar territories with similar underlying causes of poverty.

An international positioning and vast experience in the development sector of Bangladesh underpin BRAC's strength across two continents. Ahmed, recalling his years as the first Country Representative in Afghanistan, notes that initially it was difficult to find national staff for the country office, until one day, two brave women showed up and expressed their interest in working for BRAC. Next, one by one, more willing faces began to appear (Smillie, 2009).

In today's world, an NGO must become global to have the greatest impact and relevance. BRAC currently operates in ten countries across Asia and Africa through Stichting BRAC International, a nonprofit foundation registered in the Netherlands in 2009 (Figure 6-1). BRAC created fund-raising affiliates in the United States and the United Kingdom to raise the organization's profile globally and to mobilize resources for its evidence-based poverty innovations. BRAC International works in several sectors: microfinance, education, health, adolescent empowerment and livelihood, agriculture and livestock, emergency preparedness and response, and ultra-poor assistance. The internationalization of BRAC shows that grassroots-led, community-based development models from Bangladesh can be replicated to tackle challenges in other developing countries. It is crucial to mention that, to be effective, an initial program design must be adapted to each new country's context in order to achieve success through trial and error and by following three general rules.

(1) Rule 1: Target

That brings us to Sir Fazle's first rule: 1) ruthlessness in targeting. One constant for those working in the development sector: the need to accept their inability to help everyone. That is why each organization must make careful – and often ruthless – choices in order to reach the people most in need of services. In the 1970s, BRAC adapted a target-group approach, finding and working with the most impoverished people in a selected community. The organization drew on data about employment, occupations, and disadvantages to identify the neediest communities within various districts of Bangladesh (Chowdhury and Cash, 1996). BRAC also had to ensure that target groups did not receive the wrong services. Such targeting takes place in several steps, and each group of people receives a different set of services based on their specific needs.

BRAC's approach to programs for the ultra-poor demonstrates how targeting works. The "extreme-poor" live on less than USD 1.90 a day. The "ultra-poor" earn even less, making them the most vulnerable people in any community and often ineligible for traditional development interventions, such as microfinance. They also do not receive appropriate government services. BRAC's graduation program identifies this group of people through social mapping, a participatory wealth-ranking exercise conducted with the support of the community. After this initial identification step, BRAC staff visit potential participants multiple times, asking questions about their lives. BRAC interviewers then fact-check responses with unrelated community members. This step ensures that program participants are being honest about their situations and livelihoods, and truly qualify as the most vulnerable. It also ensures that community leaders do not favor their friends or family members over others who are more disadvantaged.

Once program participants are confirmed, BRAC addresses their needs with long-term investments in life skills and technical-skills training, asset transfers, enterprise development, and savings and planning methods. These actions help those targeted realize their own potential to lift themselves out of poverty and graduate into a healthier, more financially-sustainable future.

In 1976, BRAC began its first project targeted only to women. With support from UNICEF, BRAC implemented a food-for-work program for destitute women living in poverty in 40 villages in Bangladesh (Chowdhury and Cash, 1996). In another program, BRAC's fee-based education system also uses targeting data; it allows the organization to include only households that can afford low school fees, while also allowing the organization to provide fee-free education to children from the poorest families. Through BRAC International, the organization has extended Bangladesh-tested and targeted programs to five Asian countries – Afghanistan, Myanmar, Nepal, Pakistan, and the Philippines. This selection of countries resulted from goal-oriented targeting and country-specific needs assessments. Jalaluddin Ahmed explained that, in each case, BRAC formed a dedicated working group to complete a detailed analysis of each country's demographics and its geographical and political landscape.

Before BRAC launches any initiative, it secures cooperation from a country's central government and aligns its priorities with the United Nations Sustainable Development Goals (formerly, the Millennium Development Goals). Political turmoil and natural disasters have primarily motivated offers of global support. For example, the devastating earthquake of 2015 shifted attention to Nepal, where BRAC supported initial reconstruction and rehabilitation efforts (Rafferty, 2016). All BRAC staff donated one day's salary to assist their neighbors in need, and the organization added USD 1 million to these funds. With a total of USD 1.5 million, BRAC began work on a long-term recovery plan that now includes adolescent clubs and a water, sanitation, and hygiene program.

(2) Rule 2: Iterate

Targeting is only the first step. Anti-poverty programs demand intelligent design and effective implementation, which compose Sir Fazle's second rule: perfecting the process. Most successful models begin as pilot projects. A full program is designed only after the pilot leads to positive evaluation results; essential components are kept and non-essential parts are cut. BRAC has replicated its own models internationally, and other NGOs have taken inspiration from BRAC's approach to implement similar programs in various contexts. Sometimes perfecting the process just means doing it over and over, supported by evidence-based research. After testing and approval, a project design has to go through many steps for implementation.

Without evaluation, replication can lead to ineffective large-scale programs, while an astute use of research can lead to thousands of positive outcomes. For instance, nearly 114,000 students (72 percent girls) are currently enrolled in 25,000 BRAC-operated schools around the world.[36] In Afghanistan, BRAC's research team conducted a 2016 midline evaluation for the Girls' Education Challenge (GEC) project, one funded by the United Kingdom's Department for International Development (DFID). The evaluation showed that BRAC students scored significantly higher in both reading and mathematics than did students in non-BRAC schools in the same area. As the project ended, BRAC Afghanistan applied for the Girls' Education Challenge-Transition (GEC-T) project, taking into account the lessons learned from the GEC project, modifying the approach and adding the second phase for the students (BRAC, 2017a). In 2017, DFID approved another grant of more than USD 38 million to strengthen girls' education in the country.[37]

An effective design might work for one country but not another. In his book, *Freedom From Want,* Ian Smillie asks "Will the BRAC experience travel?" He believes it can: "The cultural homogeneity that may have been essential to early success in Bangladesh may no longer

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36 Data obtained from BRAC International internal monitoring report, September 2017.
37 Grant amount cited in BRAC International internal financial documents.

be important. It has not been a limiting factor in Afghanistan…" (Smillie, 2009: 244). When BRAC extended support to the people of Afghanistan, it brought programmatic models that had been tested and implemented in Bangladesh. Ian Smillie describes the success and challenges of adapting the education model to a different national context. He writes, "All this looks rather straightforward – bring in some experts, get money, start programs, learn, adapt, and go to scale" (Smillie, 2009: 231), but it required an immense amount of work.

In Afghanistan, the Taliban did not prioritize education for boys and forbade it for girls, making the country's adult literacy rate the lowest in Asia. Keeping the core fundamentals of the education model from Bangladesh, BRAC adapted it for greater relevance for Afghan communities. Smillie explains, "They formed school management committees and set up a materials development unit, just as they had in Bangladesh 20 years before... As in Bangladesh, BRAC had to recruit and train its own teachers while simultaneously overcoming tremendous prejudicial attitudes in almost every village where we set foot" (Smillie, 2009: 227). Today, BRAC helps ensure an education for nearly 49,000 Afghan girls.[38] In another example of iteration, adaptation and internationalization, BRAC currently runs ultra-poor programs in Pakistan and Uganda using the tested graduation model from Bangladesh mentioned above (BRAC, 2017b). In reply to Ian Smillie's rhetorical question, one can say "yes, the BRAC experience can travel and it has."

(3) Rule 3: Scale

A project or program should have a sound design and result in cost-effective implementation. But can it scale? This is Sir Fazle's third rule: scaling up to reach the greatest number with the best design. "Small is beautiful, but scale is necessary," he reminds his team. One of the most celebrated examples of this is the Oral Therapy Extension Program (OTEP). The war of 1971 left Bangladeshis free but mired in poverty. Child mortality, often due to diarrhea, was high. In 1981, BRAC revised

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38 Data obtained from BRAC International internal monitoring report, September 2017.

and adapted a simple medical technology to treat diarrhea. Health volunteers trained by BRAC went door-to-door and shared one easy-to-learn solution: "One pinch of salt; one fistful of *gur* (molasses)." When the OTEP ended in 1990, BRAC had taught more than 12 million families how to make it (Smillie, 2009). Three decades later, almost 90 percent of children with severe diarrhea and the resulting dehydration were given the solution – the highest documented use of oral-rehydration therapy in the world. Child deaths from diarrhea plummeted more than 80 percent between 1980 and 2005 (Gawande, 2013). When assessing the impact, "BRAC results suggested that the programme reduced mortality, especially in the higher-risk groups of infants, children, and the elderly" (Chowdhury and Cash, 1996: 101). As word spread in the development world, other countries adopted Bangladesh's approach and global diarrhea deaths dropped from five million per year to two million. Summarizing the far-reaching impact of OTEP, Atul Gawande claimed "The program had changed the norms" (Gawande, 2013).

Any organization needs to change in order to remain relevant and have sustainable impact. BRAC takes a far-sighted approach and prioritizes innovation, therefore investing in youth-focused programs, ones that will inspire new ideas and target the demographic that can make the most impact in the shortest time. The empowerment and livelihood for adolescents (ELA) program is a notable example. Its clubs give young women aged 13-21 the opportunity to talk to each other and explore ideas that can improve their lives. These "Kishori" clubs, first formed in Bangladesh, targeted girls from disadvantaged backgrounds and immediately became popular in rural communities. The ELA model proved easy to replicate because of a consistent issue across the world – the vulnerability of adolescent girls. BRAC soon targeted the 26 countries across the world that have the highest percentages of child marriage and teenage pregnancy. It set up ELA clubs in Liberia, South Sudan, Sierra Leone, South Sudan, Tanzania and Uganda. Club meetings take place in borrowed or rented buildings in marginalized communities, offering a space for girls to sing, dance, play games, and socialize. Some of the young women receive training as mentors; other girls learn about different subjects from them: sexual and reproductive health, nutrition, life-skills, financial literacy, and livelihood skills. BRAC also offers microloans and small-scale business training to enable club members to start their own enterprises and gain financial independence (BRAC, 2017c).

The decision to scale up the programme has the backing of evidence-based research. The ELA model is cost-effective, easy to replicate, and helps girls realize their own potential and empower one another — the core vision of BRAC. Researchers from the London School of Economics and the World Bank found that girls who go through BRAC's ELA program in Uganda are 48 percent more likely to engage in income-generating activities two years after entering the program; they also have fertility rates 29 percent lower than in control groups. Teenage pregnancy among these girls also fell by 34 percent and early entry into marriage or cohabitation declined 62 percent (Bandiera *et al*., 2017). Because of these positive results in Africa, BRAC modified the model for the Asian context. It recently created 10 ELA clubs in Nepal, where 37 percent of girls are married off by age 18, giving Nepal the third-highest rate of child marriage in Asia, ahead of Bangladesh (Barr, 2017). BRAC hopes that the Nepali ELA clubs will raise awareness for girls in the same way that its *Kishori* clubs do in Bangladesh.

3. BRAC's Self-Sustaining Model Continues to Evolve and Expand

As another innovation, BRAC pioneered the transition from a donor-dependent model to a social-enterprise model in Bangladesh; its goal was to build self-reliance in a world where an end to donor funds can mean the end of operations. This transition is often celebrated as one of BRAC's greatest successes. Its profit-generating model allows 50 percent of its surplus to fund all operating expenditures, including its development programs, while it re-invests the remaining 50 percent in the enterprises it develops. One example of a BRAC social business is Aarong, a franchise consisting of retail stores that support 65,000 artisans through fair-trade arrangements, empowering them to rise above poverty (BRAC, 2017d). BRAC's international operations largely depend on grants in addition to microfinance funding because BRAC International has yet to adapt the social enterprise model from Bangladesh and apply it globally. But according to Faruque Ahmed, Executive Director of BRAC International, it is taking initiatives to move in that direction.

All BRAC initiatives aim to maximize efforts, strengthen the capacity of local communities, and have a larger impact. Faruque Ahmed says that BRAC International will consider long-term engagements to ensure impact and sustainability. It will continue directing service delivery to a limited number of countries, while building and strengthening partnerships with governments, the private sector, and other NGOs. It will also renew its focus on advocacy at the national, regional, and global levels. In Kenya and Lesotho, where BRAC does not have direct operations, the organization offers technical assistance to the government and local NGOs in order to adapt its ultra-poor graduation model.[39] Faruque Ahmed also notes that the organization prefers to go into a new country with microfinance first and then add other social-development interventions, mostly grant-financed for a set time period, to ensure sustainability.

4. Conclusion

While being a Southern NGO has its advantages when working in other Southern countries, it also has a few challenges. Faruque Ahmed notes that despite BRAC's nationally competitive benefit packages, the organization often loses staff to international NGOs. Also, BRAC has not yet built the capacity to work in conflict zones, such as in South Sudan. The organization has more experience working in post-conflict countries, such as Bangladesh, Liberia, and Sierra Leone. While BRAC generally thinks long-term, short-term approaches seem to yield better results in vulnerable contexts. In South Sudan, BRAC has limited its operations to the city of Juba while it repositions itself and reassesses its priorities. Faruque Ahmed has said that BRAC will expand into new

39 According to the 2017 BRAC staff diary.

countries only after careful consideration and after ensuring resource availability and opportunities to contribute.

In an unpredictable world, where both politics and nature have become dangerously volatile, BRAC makes its way, creating potential wherever it is needed most. BRAC International thinks globally, but embraces the local context in its approach. Its goals remain the same: the right targeting, learning from challenges, perfecting the process, adapting through deep-rooted contextualization, and scaling up. Its mission remains the same everywhere – building capacity at the grassroots level to achieve large-scale, positive change that enables people to realize their potential and lift themselves out of poverty. BRAC International has globalized Bangladesh's integrated community-based approach, proving that local solutions can solve global challenges. Other NGOs can replicate BRAC's model by following Sir Fazle Hasan Abed's three rules. The secret of BRAC's success is that it's no secret at all.

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CHAPTER 7

Community Engagement by Chinese Companies Investing Overseas

By
Peiyuan Guo and Zhirong Duan

Abstract

With the expansion of their outbound investment and operations, Chinese firms face an increased need for guidance in negotiating conditions on the ground in foreign countries. This chapter focuses on the interaction between firms and local actors and the policies, tools, and institutional mechanisms currently in development to assist firms in practicing corporate social responsibility (CSR). After a brief overview of current Chinese outbound direct investment (ODI), and the significant increase in scale implied by the Belt and Road Initiative, the authors analyze the relationship between stakeholder engagement and business sustainability. A 2015 survey of business personnel working abroad provides several key insights on perceived risks, with respondents reporting themselves less familiar with community issues than other aspects of management. The authors identify several factors that contribute to investor confusion, including a bias towards governmental representatives over other stakeholders; a stress on charitable projects as opposed to the management of community issues as business risks; and a lack of relevant expertise, personnel, and partners for engaging local communities, along with a reluctance to work with local NGOs. A case study of the palm oil producer Julong Indonesia highlights both relevant challenges and successful

management strategies in a high-impact industry. The authors conclude with two tools they have developed from their research data: the Chinese Overseas Investment Risk Map and their *Community Engagement Guideline for Overseas Investment of [sic] Chinese Companies.*

1. Introduction

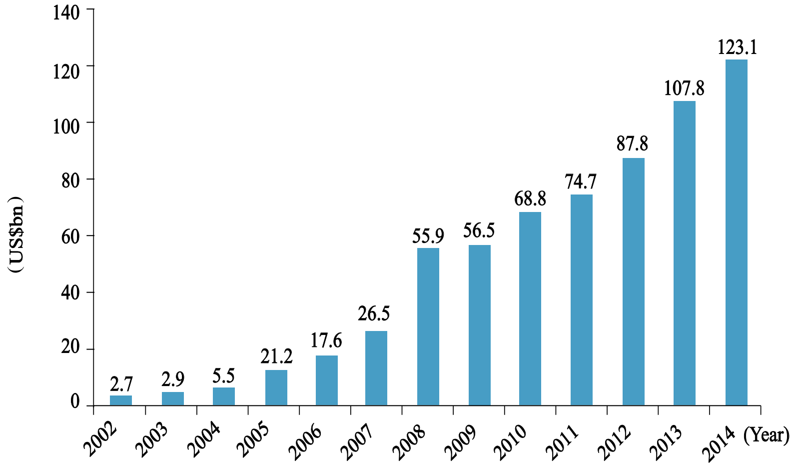
Given the continuous growth of outbound Chinese direct investment, firms face an ever more imperative need for operational guidance. At the same time, they have seen the impact of their investments become ever more intertwined with conditions on the ground. All stakeholders therefore need to understand the engagement between firms and actors in local contexts. Identifying community engagement as the mid-range arena for foreign direct investment at the local level (Crilly, 2011), this chapter provides a snapshot of the development path of Chinese companies investing overseas. After a broad overview of Chinese outbound direct investments, we will briefly summarize the rationale behind community engagement; we will then consider the driving institutional forces both internationally and in the home country, as well as corporate reactions to community engagement imperatives. Finally, we will offer an illustrative case before proposing specific policy recommendations and practical tools.

2. Overview of Chinese Outbound Direct Investment

China's overseas investment has increased rapidly since "Going Global" became one of the pillar strategies of Chinese government in October 2000 (Yu and Jiao, 2011). In 2014, Chinese outbound direct investment (ODI) reached USD 123 billion, more than 20 times the figure for 2004 (Figure 7-1). By the end of 2014, 18,500 Chinese investors had set up 29,700 establishments in 186 countries and regions, with 84.7 percent in developing and transition economies and 15.3 percent in developed economies.

More specifically, over half of Chinese ODI went to Asian countries, followed by Latin America and Europe. Though Chinese investment in Africa has received much public attention, it only represents 3.7 percent of the total. At the country level, Singapore, Kazakhstan, Laos, Indonesia, Russia, and Thailand have received the most investments from Chinese enterprises. Figure 7-2 shows the flow of ODI from China to other regions as a percentage of the 2014 total on the left; on the right

| Figure 7-1 | Chinese ODI 2002-2014 (USD billion)



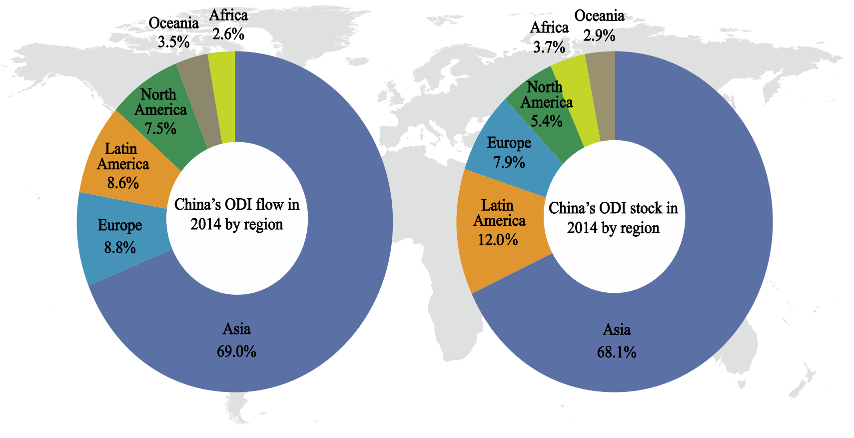
Note: The 2017 Report shows the 2016 figure as USD 170.1 billion.
Source: CAITEC, SASAC and UNDP (2015).

it shows the cumulative amount.

At the sector level, statistics show that leasing/commercial and financial services represent the two biggest sectors in Chinese ODI. Leasing services cover a lot of the equipment used in international business activities of Chinese firms, such as manufacturing, transportation, construction, agriculture, and computing, while commercial services cover the activities of representative offices and local branches that fulfill management roles in the host country. Some of these investments in commercial and financial services might ultimately go to industrial enterprises. Besides these two sectors, mining, retail, manufacturing, transportation, real estate, and construction all attract significant Chinese ODI.

The sectors are not evenly distributed across regions. According to the Chinese Academy of International Trade and Economic Cooperation, State-Owned Asset Supervisory and Administrative Commission and United Nations Development Programme reports (CAITEC, SASC and UNDP, 2015; 2017) and data from National Bureau of Statistics in

| Figure 7-2 | Percentage of Chinese ODI (left) and Cumulative ODI Stock (right) by Region (2014)



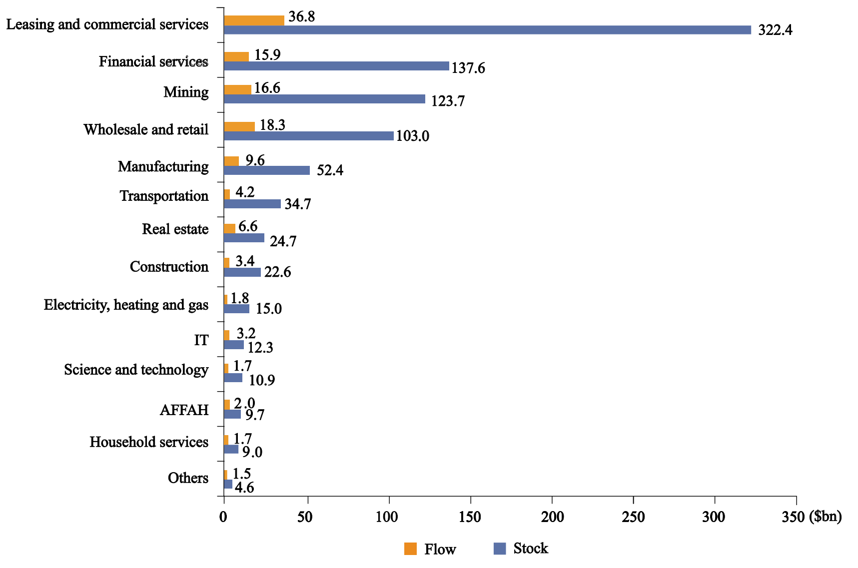
Source: CAITEC *et al.* (2015).

China (NBS), Asia has attracted a large portion of China's ODI in the leasing and commercial services, wholesale and retail, and financial sectors. Construction, mining and financial sectors comprise the top three sectors in Africa; leasing and commercial services, financial and manufacturing industries in Europe; leasing and commercial services and the financial industry in Latin America; the financial, mining, and manufacturing industries in North America; and the mining industry in Oceania.

This distribution helps inflect the economic priorities of the home country and has implications for business sustainability. In particular, Chinese government support for overseas investment has manifested through the Belt and Road Initiative (the Silk Road Economic Belt and 21st-Century Maritime Silk Road, or BRI). President Xi Jinping proposed this initiative during his visits to Central and Southeast Asia in September-October of 2013 (The State Council, 2015a). It aims to promote orderly and free economic exchanges, highly efficient allocation of resources, and deep integration of markets by enhancing the connectivity of Asia, Europe and Africa and their adjacent seas.

| Figure 7-3 | Chinese ODI Flow and Stock by Sector (2014)

(Unit: USD billions)



Source: CAITEC *et al.* (2015).

In 2015, China's chief economic planner, the National Development and Reform Commission, and its ministries of foreign affairs and commerce co-published the action plan and proposed routes for the BRI (Figure 7-4); they indicated that the BRI will be open to all countries and international and regional organizations, and that it will honor the principles of mutual respect and market operation in its quest for common prosperity (Xinhua, 2017).

The BRI has delivered promising early results. China has initiated railway, road, civil aviation, electricity and telecommunications projects across the BRI (The State Council, 2015b). The 2016 statistics from China's Ministry of Commerce (MOFCOM, 2017) indicate that China's direct investment in 53 countries along the routes has reached USD 14.53 billion and the total value of contracts China signed with 61 related countries amounted to over USD 126 billion.

Compared to the early stages of "Going Global", the BRI puts greater emphasis on cooperation and mutual benefits, while sustainability

| Figure 7-4 | Belt and Road Initiative Routes

Source: China Daily (2015).

has become a more dominant concern than ever before. These issues require a closer attention to investor engagement in local contexts. We will outline some of the principal challenges and existing responses in the next sections.

3. Community Engagement and Business Sustainability

The view of Chinese ODI from the home country does not provide a complete picture. For local stakeholders abroad — such as residents at mining sites, government agencies, employees, suppliers, customers, and even non-government organizations (NGOs) — concerns and occasional doubts may seem as strong as the expected economic benefits. In other words, the rapid growth of Chinese ODI has evoked both applause and controversy (Wang and Zadek, 2016).

The problems affect all companies involved in foreign direct investment (FDI), not just Chinese ones. Given that such inward investment becomes one of the main sources of economic development in host countries, the demand for it affords companies opportunities to explore new markets and to expand their operational scope. However, compared to trade and other transactional involvements, direct investment requires much more managerial attention and commitment (Johanson and Vahlne, 1977; Agarwal and Ramaswami, 1992). As a result, investor engagement with local stakeholders has become a key driver of business success and failure (e.g., Moffat and Zhang, 2014). Although cases of business failure normally reflect economic, social, and environmental performance, the latter two often have lasting effects that may compound that failure (Russell *et al*., 2016).

Stakeholder engagement is not a new topic (Greenwood, 2007). It can help companies gain goodwill, trust, reputation, and even competitive advantage; on the other hand, it may also increase risks in terms of complexity, costly relational work, and rising stakeholder expectations (Maak, 2007). The outcome becomes more explicit in the case of sustainable business. In the shorter term, firms engage in responsible business behaviors for strategic reasons (Avram and Kühne, 2008), which may ultimately lead to sustainability. Thus, although the definitions of responsible and sustainable business differ in terms of their time reference, the collective expectation of stakeholders will determine whether or not a business obtains "social license"[40] to sustain their activity (Gunningham *et al*., 2004).

Among all stakeholders, local community plays a critical if not decisive role. On the one hand, conflicts arise and are resolved at this level; this probably makes it — even more than the national or regional level — the proper site of stakeholder analysis and aggregation in the social system. On the other hand, inexperienced foreign investors tend to underestimate the influence of their investment on the local community. A 2014-2015 study on Chinese overseas investment in extractive industries (conducted by Syntao and Tsinghua SEM) found that local community ranked as the "least familiar" stakeholder among the surveyed international executives. In other words, executives in overseas business had the least knowledge of and contact with local

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40 The concept of "social license" refers to whether a project (or organization, or enterprise) has earned the continuing approval of local populations and stakeholders. See: "What is the Social License?" at http://www.socialicense. com/definition.html.

community among recognized stakeholders (Duan *et al*., 2015).[41]

Community engagement means that companies need to take into account the concerns that local communities have about their investments, and that companies need to manage negative impacts and create win-win situations with these communities. Without proper community engagement, investing companies will suffer from community-related risks, such as protests and conflicts.

Fortunately, more and more businesses have started to engage with local communities, and some have even developed systematic methods of doing so. For example, CNOOC (China National Offshore Oil Corporation) established a local community engagement office as a first step in implementing their Ugandan investments. The engagement officer ranks near the top of the authority ladder (directly reporting to the country manager), and has become the front line for almost all community-related matters, from managing socially- and environmentally responsible corporate (CSR) investments (such as skills training for local people and nature preservation and conservation), to accommodating social issues (such as religion). The results of such active community engagement proved very encouraging, as CNOOC Uganda outperformed many peer companies in the region — indeed, flourishing where others with less successful community relations had failed — and became a role model for its fellow companies in China (Chai, 2013; CPPCC News, 2017).

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41 This study was conducted from October 2014 to June 2015 to investigate overseas transparency and risk management in Chinese extractive industries. The research entailed comprehensive case study methods — including corporate visits to overseas branches, in-depth interviews and focus group meetings (and workshops) with stakeholders — followed by a questionnaire survey of company executives engaged in international business, with 65 valid questionnaires collected. The sample skewed slightly towards large state-owned companies, as they are the main players in extractive industries with overseas investment. The study also collected and analyzed 23 CSR reports released by Chinese extractive enterprises in specific host countries. These reports reflect the frontier practices of Chinese extractive companies in terms of transparency.

The Status Quo of Overseas Community Engagement

In many companies, community engagement work has become part of their Corporate Social Responsibility (CSR) strategies. CSR covers numerous other issues, ranging from supply-chain to investor-relationship issues; it has a well-established presence in Chinese companies. Nowadays, around 2000 Chinese companies publish CSR reports every year to communicate their practices and performances on a comprehensive range of issues (SynTao, 2016). In the past decade, government policies have largely driven CSR practices, especially the *CSR Guideline for Central-Level State-Owned Enterprises*, issued in 2008 by the State-Owned Asset Supervisory and Administrative Commission (SASAC). This Guideline discusses community engagement in the following terms:

> Participating in social pubic welfare programs. Central-level State-owned Enterprises ought to encourage their employees to volunteer for social services, and actively participate in community and social welfare program, such as charity, donations, and giving support to schools, cultural or hygiene activities. Upon the occurrence of major natural disasters and emergency accidents, Central-level State-owned Enterprises also need to provide financial, material and manpower support (SASAC, 2008: Section 3[15]).

The Chinese government also encourages its overseas companies to take care of local communities. This appears in several guidelines published by government agencies (or by business associations with backing from these agencies) (Table 7-1). Our firsthand observations suggest that although such guidelines will need wider acceptance and deeper implementation in the near future, they are freely accessible on the relevant websites, and awareness of them has increased[42]. While the guidelines may provide sector-specific language and recommendations,

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42 These guidelines have been frequently mentioned in various international events that the authors attended, such as the UNDP Social Impact Finance meeting in New York during September 20-21, 2017.

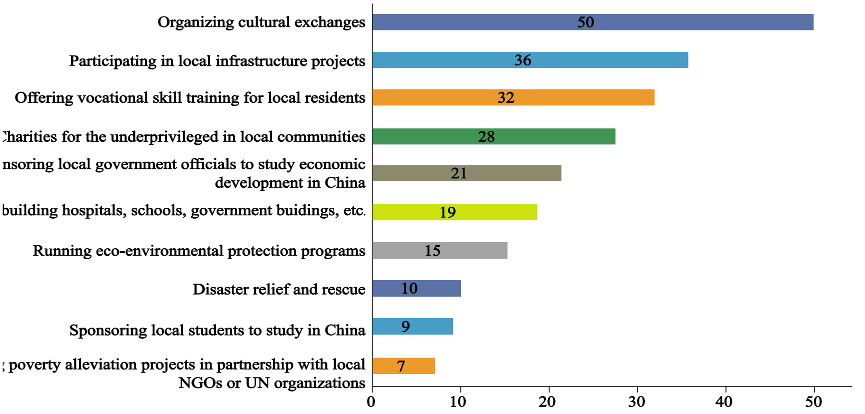
these apply chiefly to business operations; recommendations on community action tend to remain more similar across sectors.

These guidelines have included a focus on community issues. For instance, the *Guide on Social Responsibility for Chinese International Contractors* emphasizes that employers should "value local traditions and culture, respect human rights, improve people's livelihoods, and participate in and support the construction of local community projects" (CHINCA, 2012). Recommended actions include (1) community involvement and communication; (2) employment and training; (3) community development; (4) culture and education; and (5) donation and disaster relief. The *Guidelines for Social Responsibility in Outbound Mining Investment* contain similar language on community engagement. They also lists ten suggested actions, with some additional specifics on workplace relations as well as community ones: (1) social impact assessments and regular communication mechanisms; (2) ongoing equitable interaction; (3) local recruitment for management and staff positions; (4) grievance mechanisms; (5) accommodating cultural traditions and religious beliefs; (6) community development plans; (7) job creation; (8) skill development; (9) support for small and medium-sized enterprises (SMEs); and (10) philanthropy initiatives (CCCMC, 2014).

Table 7-1 Guiding Documents by Chinese Government Agencies or Business Associations

2007	State Forestry Administration (SFA), Ministry of Commerce (MOFCOM)	Guidelines on Sustainable Forest Cultivation for Chinese Enterprises Overseas
2009	SFA, MOFCOM	Guidelines on Sustainable Operation and Utilization of Overseas Forests by Chinese Enterprises
2012	China International Contractors Association (CHINCA)	Guide on Social Responsibility for Chinese International Contractors
2013	MOFCOM, Ministry of Environmental Protection (MEP)	Guidelines on Environmental Protection in Overseas Investment and Cooperation
2014	China Chamber of Commerce of Metals Minerals and Chemicals Importers and Exporters (CCCMC)	Chinese Guidelines for Social Responsibility in Outbound Mining Investment

| Figure 7-5 | Percentage of Respondent Companies Involved in Each Category of Community Service



Source: CAITEC *et al*. (2015).

In practice, a number of Chinese companies have carried out community engagement activities, contributing to local development in various ways (Figure 7-5). According to CAITEC *et al*. (2015),[43] half the Chinese respondents indicated that they have done some form of cultural exchange. This might include academic discussions on cultural issues, concerts and exhibitions, cultural study tours in host countries or in China, and so on. Such cultural exchanges can help create a better foundation for communications between Chinese companies and local stakeholders.

Thirty-six percent of Chinese companies said that they had contributed to local infrastructure, especially by building roads; 32 percent had provided vocational training for local residents. According

43 The research team developed the questionnaire with reference to internationally recognized initiatives, regulations, and standards for measuring firm sustainability practices (e.g., Sustainable Development Goals of United Nations). Moreover, the research team held six consultation meetings with representatives from companies, academic institutions, domestic and international NGOs, embassies and consulates in China to discuss the questionnaire before its distribution. The questionnaire went to 254 companies, comprised of 36 percent state-owned and 63 percent private enterprises.

to the 2015-2016 CSR report issued by the mining company Myanmar Wanbao (2016), more than 1,140 people have participated in nine categories of vocational training offered by the company. Moreover, in a survey about the company's community engagement (conducted with 1,400 participants from 25 villages), almost 90 percent of the respondents considered the vocational training as satisfactory and 80 percent of all respondents rated it "good" or "very good" (Myanmar Wanbao, 2016). Other company activities include direct donations, funding for government officials or students to study in China, building hospitals and schools, environmental protection projects, disaster relief projects, and other contributions.

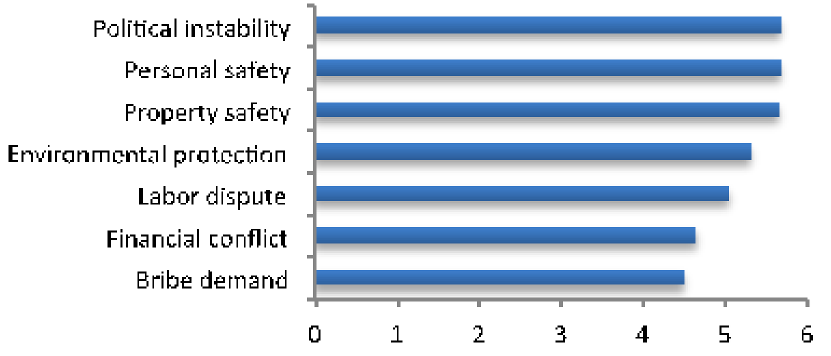
Usually, large companies employ several ways of engaging local communities, which often have diverse needs. For instance, where Lenovo, the world largest personal computer maker, operates in the United States (US), it has integrated into local communities and worked with relevant organizations to support education and community service, among other matters. On the one hand, Lenovo partnered with the Mark Wahlberg Youth Foundation and donated 250 IdeaPad Yoga tablets, hoping to support underprivileged city children in reaching their full potential. On the other hand, Lenovo designed a match-funding mechanism to support employee charitable donations. With this mechanism, for every US dollar donated by an employee, the company donates 50 cents (CAITEC *et al*., 2015).

4. Understanding the Challenges

The 2015 SynTao and Tsinghua University survey signaled above (Duan *et al*., 2015) also indicates that community engagement affects several risks that Chinese companies face overseas. For instance, conflicts between companies and local communities will often result in personal and property safety risks. Angry local populations and staff will definitely create threats against safety and security.

Our survey asked Chinese managers involved in ODI to rank each category of risk on a seven-point scale, with 7 representing "very

| Figure 7-6 | Chinese Companies' Views of Major Risks to ODI



Note: lowest score = 1 point; highest score = 7 points

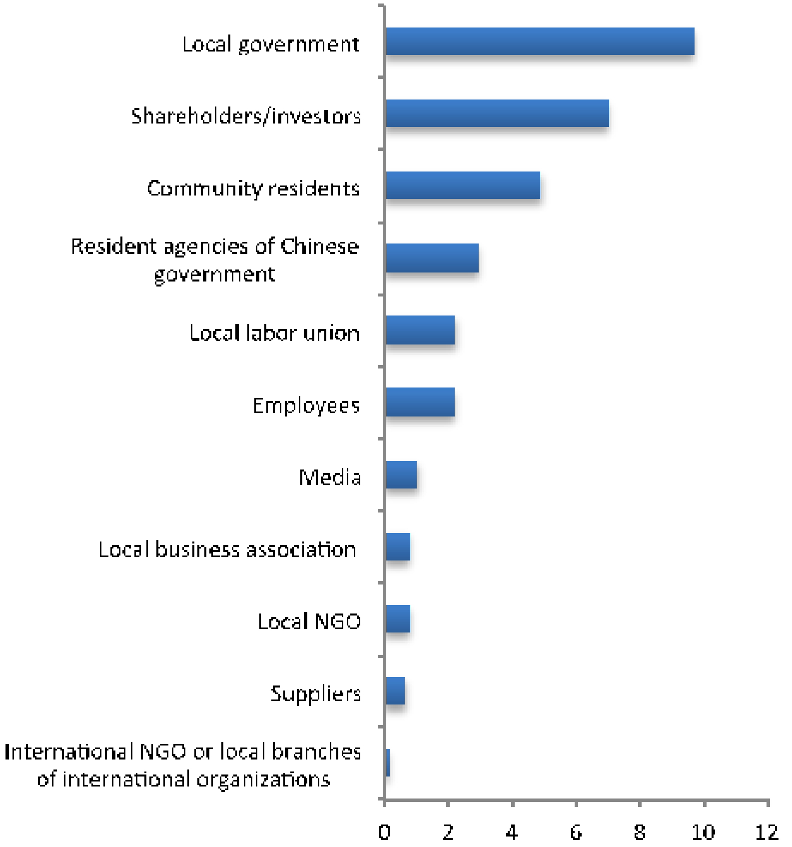
Source: Duan *et al.* (2015).

important" in the decision-making process and 1 representing "not important at all" (Figure 7-6). (In practice, none of the respondents ranked the risks above a 6, as the graph shows.)

In fact, the local community's multiple and complexly interrelated interests confuse many investors, and may cause a number of the crises commonly faced by Chinese companies. This underscores their need to improve their local community relations. We will present below a case study that offers a good model in this regard. However, many companies — especially those that have just begun to invest overseas — still have little understanding of this challenge. As the 2015 survey and our interviews have indicated, there are several reasons for this.

First, institutional factors play an important role in how companies conduct stakeholder engagement (Ghoul *et al.*, 2017). In Chinese business culture, firms pay much more attention to the government than to local communities. The Chinese government plays a dominant role in the market from the central to local levels, often making government relations the most important priority. When investing in a new location, companies first tend to build relationships with local government officials, such as city mayors or village leaders. They keep this in mind even when they invest abroad, but this approach often works poorly in other countries. Figure 7-7 indicates the huge difference between the

| Figure 7-7 | Chinese Corporate Prioritization of Various Stakeholders



Source: Duan *et al.* (2015).

perceived importance of government and that of local communities (including local NGOs). Chinese companies must therefore learn how the business environment in other countries differs from the one in China, and where they need to pay more attention to nongovernmental stakeholders.

Second, Chinese companies do not tend to view community as a risk they need to manage. This also reflects how the business environment differs in different countries. In China, companies normally take care of legal and financial risks, often with the support of advisors who help with risk analysis and management. Community issues, usually connected to environmental and social risks, are very new concerns for many Chinese companies, who sometimes look to government agencies for help in managing them; until recently, China also has less strict environmental legal enforcement than some countries. Therefore, many Chinese companies view community-related issues in terms of donations and charitable projects rather than risks. Apparently, companies will give higher priority to risk issues, and lower priority to charitable ones.

Third, Chinese companies lack experience, guidance or tools for community engagement, even where they recognize its importance. Until recently, they have not paid attention to such issues even in domestic operations. However, they have begun to seek out relevant expertise. In a recent workshop jointly organized by SynTao and WWF China, a global extractive company[44] shared its experiences in managing local community relationships, including some standardized work processes and new concepts such as ALARP (As Low As Reasonably Practicable).[45] The participating Chinese companies welcomed these tools and clear, practical steps and instructions; such guidance will also prove useful to other companies.

Fourth, Chinese companies lack personnel specializing in community engagement. Even equipped with guidance and tools, companies still need employees with community skill sets, talents lacking in most Chinese companies. Community engagement work requires an interdisciplinary background covering both business and NGOs or civil society, a rare combination in Chinese enterprises. Some companies turn to NGO staff with good business sense for community engagement positions, a realistic and practicable strategy. Of course, when working overseas, personnel also need a good understanding of local culture, language, and conditions. These needs may create good business opportunities for universities and training organizations.

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44 This was a closed-door session held in Beijing in April 2017; the company in question shared its experiences on condition of public anonymity.

45 This refers to procedures that will reduce workplace risks to the lowest reasonably achievable level. For a sample of governmental policy along these lines, see the Guidelines of the Health and Safety Executive of the United Kingdom (HSE, 2017).

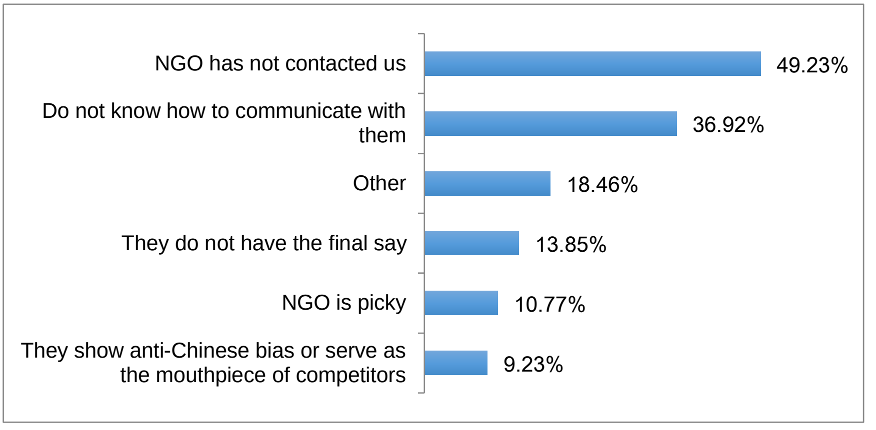
Fifth, Chinese companies do not have strong partners for community engagement projects abroad. Companies often collaborate domestically with NGOs, especially on charitable projects such as education or poverty reduction. They see themselves as excelling in profit-making but not strong in development issues, matters better left to professional NGOs. However, Chinese companies are usually reluctant to work with foreign NGOs in host countries. Sometimes they worry about political risks; sometimes they simply lack knowledge of the role that NGOs play locally. For example, a certain Chinese company with business in Southeast Asia hired a seasoned and famous environmental impact assessment (EIA) firm to assist in a project's approval process.[46] After their investigation, the EIA firm submitted a thorough and thick report. A long period of feedback and revision followed, entailing a dozen rounds of communication with the relevant departments in the host country; each round generated new feedback on the report. The Chinese company treated every problem raised seriously, no matter how trivial, since any obstacle to the project launch would prove very costly. In a recent round of communication, the host country government proposed consulting an NGO for the EIA; the Chinese company flatly refused, on the grounds that they were not familiar with NGOs and feared that they might be subject to influence from third parties.

The findings of our 2015 survey on transparency issues in Chinese overseas investment also echo this reality (Duan *et al.*, 2015).[47] According to this survey, over half of the interviewees said that their employers had not communicated with NGOs, either local ones in the host country or international ones. Surprisingly, they identified the main inhibitor as a lack of contact *from* these NGOs, followed by their own lack of understanding on how to communicate with them (Figure 7-8). Those companies that had communicated with NGOs preferred international organizations or NGOs where they could identify some kind of government connection, such as a past history as an official entity, or evidence of governmental guidance or even direct support.

46 Confidential communication to the authors, November 2014.

47 The information also appears in SynTao's report of the same study, issued under the title "More transparency, less risk" (2015).

| Figure 7-8 | Reasons for Lack of Communication between Chinese Companies and NGOs



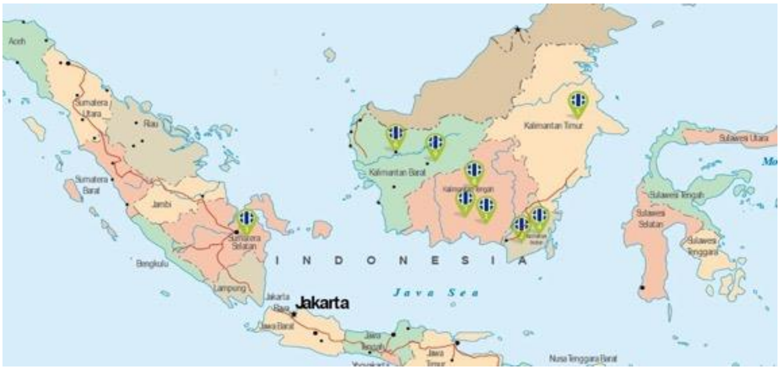
Source: Duan *et al.* (2015).

In fact, during our extensive fieldwork over the past three or more years, we heard many Chinese companies indicate their willingness to collaborate with large Chinese NGOs. However, only a very few of these — such as the China Foundation for Poverty Alleviation or the Amity Foundation — have established presences in a few other countries. It might take a decade or two for additional Chinese NGOs to build worldwide networks.

Box 7-1 A Case Study: Julong Group in Indonesia

Some overseas Chinese companies have explored entrepreneurial activities adapted to the needs of the local environment. Julong Group's ten-year experience in Indonesia offers an illustrative example, one generalizable to the development of community engagement elsewhere. It also demonstrates the role that NGOs may play in finding economically, socially, and environmentally sustainable solutions for community engagement.

| Figure 7-9 | Locations of Julong Group Operations in Indonesia as of 2017



Source: Internal document of Julong Group.

Julong Group, headquartered in Tianjin City, is a leader in China's palm oil industry and owns the highest domestic market share in China. The company operates through the entire value chain of the palm oil industry, including cultivation, oils and fats processing, port logistics, trades and merchandising, R&D for oils and fats products, edible oil brand promotion, and financial services. Indonesia and Malaysia are two key countries in this market. China imports 99 percent of its palm oil from them — especially from Indonesia, where Julong Group has recently extended its business. It built its very first overseas oil palm plantation in 2006 on Kalimantan Island, Indonesia, followed by the supporting crushing plant in 2011. To date, Julong Group has developed palm plantations over 60,000 hectares and reserved 200,000 hectares in Indonesia, with three crushing plants, two storage bases, and one coastal processing base (Figure 7-9).

Oil palm plantation and processing businesses usually generate strong social and environmental impacts. Companies will cut through forests, occupy huge areas of farmland, and use chemicals and pesticides. In some cases, they will burn and destroy forests, harming endangered animals in this habitat. This also affects local populations; some may need to leave their homes, since they lose their livelihoods upon selling their farmland.

As a result, in the past few decades, the corporate responsibilities of the palm oil industry have often come up for discussion. NGOs such as WWF and Greenpeace pay great attention to the palm oil giants, including the planters, traders (such as Sinar Mas Group, also known as APP) and end users (such as Unilever). Around a decade ago, the Roundtable on Sustainable Palm Oil (RSPO) emerged as a platform for various stakeholders to communicate about these issues. It has created standards and criteria for the production of sustainable palm oil, including: (1) transparency; (2) adherence to local laws and regulations; (3) commitment to long-term economic and financial viability; (4) best practices by growers and millers; (5) natural conservation; (6) service to employees and communities; (7) responsible development of new plantings; and (8) minimizing the negative impact of palm oil cultivation on the environment and affected communities (RSPO, 2015). RSPO has created a certifiable scheme for labeling qualifying products. The Indonesian and Malaysian governments now follow a similar approach and have created relevant policies and systems, entitled ISPO and MSPO respectively.

This background gives a sense of the challenges that the Julong Group will face in expanding oil palm plantation in Indonesia — managing both the external and governmental pressures on the industry and the often-destructive effects of production at the local level.

Mr. Chen Yansong, Vice President of Julong Indonesia, told a journalist that his job was to cultivate a better relationship with the local community. As a result, he needed to spend around half of his time visiting various stakeholders. When asked about basic principles for community engagement, Mr. Chen said one must bear in mind at all times that some areas or activities are "untouchable" and that one must respect those rules. He then added, "you need to visit stakeholders when you have business with them, but you also need to visit them even before you have business with them" (Yang, 2016). In other words, stakeholder relationships call for day-to-day management.

Julong Indonesia has also taken religion seriously. Indonesia is a predominantly Muslim country with some Christian and Buddhist populations. To show respect for these groups, Julong Indonesia has followed relevant religious rules, such as giving local employees time off on religious holidays and during religious ritual time, regardless of reduced work efficiency. It has even built mosques, churches, and temples in its plantation zones (Yang, 2016).

Julong Indonesia has also carried out other projects enhancing community engagement:

Partnership with farmers. The locale where the company has expanded production has a long history of growing palm oil trees. However, prior to Julong's arrival, many local farmers did not have reliable incomes, given difficulties in caring for the plants and bringing their products to market. Production levels also fluctuated, leaving many farmers in poverty. According to Julong's executives, the company carefully investigated possible solutions learning from practices in other places or even other countries. They decided to turn local farmers into partners. In each plantation zone, Julong Indonesia will offer a small number of farmland blocks to partner farmers — a model termed Company plus Farmers. Under this model, Julong provides seeds, pesticides, fertilizers, and necessary technical support, while partner farmers conduct their own planting. After the oil palms reach maturity, Julong will purchase their products at a protected price. Through these means, Julong can share economic growth directly with local populations. To date, the partner-farmers model has extended to more than 40 villages, covering around 18,000 hectares of farmland. In total, around 5000 families and 20,000 individuals have reaped the benefits.

Job creation. This has become one of the most topical social issues in the community. Chinese companies have often had a poor reputation in this area, but Julong Indonesia understood the importance of creating jobs for local people and began the process early on. According to the company, this is another way to share the economic benefits of oil palm planting. Following this line of thinking, Julong tries to hire local staff as often as possible. In management-level positions, these include the general managers of the plantation zones, as well as half the senior management staff. To facilitate communications with local staff and communities, Julong also hires Indonesian Chinese who understand the languages and cultures of both countries, as well as new graduates from Indonesian universities. These young talents will go to China to receive training for one year before assignment to Indonesian plantation zones.

Infrastructure support. Many plantation zones are located in remote and undeveloped areas with poor infrastructure conditions. Therefore, Julong Indonesia has established a special fund averaging 5 percent of the zone revenues, to invest in improving local infrastructure — roads and bridges, water and utilities, education, healthcare, and so on. These infrastructure projects can dramatically improve the living conditions of local communities.

Through these projects, Julong Indonesia has gradually improved its relationship with local communities. Some evidence of this: the Indonesian national government has granted the company a land use certificate, quite rare for foreign companies operating in this country. At the same time, local communities have also seen benefits from Julong's business. For some villager families, annual income has increased from around RMB 3000 to more than RMB 30,000, enabling some to buy televisions and motorcycles (Tongzhanxinyu, 2017).

Julong believes that they have found a proper direction. As Mr. Qiu Aimiao, Julong Group's Director of Public Relations, noted in an interview, "agriculture projects like palm oil planting are long-term businesses. You have to become part of the local communities, since you will be bound to the locales for at least two or three decades" (Tongzhanxinyu, 2017).

5. Looking into the Future

Given the momentum accumulated over the years of economic development, there is no doubt that overseas investment from Chinese companies will continue to increase. However, compared to multinational companies from the developed world, Chinese companies remain latecomers, inexperienced in managing community engagement. To tackle the challenges outlined above, we offer three recommendations for companies as well as the Chinese government to consider.

First, Chinese companies should develop their own tools and guidance for community engagement. As discussed above, this goes beyond concept and mindset; it calls for analytical frameworks, checklists, work processes, and some specific methodologies. In keeping with the underlying principle of the "Social License to Operate (SLO)", the community engagement toolbox calls for adaptive flexibility rather than simple standardization (e.g., Boutilier *et al*., 2012). Western companies have accumulated sufficient experience and have developed some useful tools. Chinese companies need not re-invent the wheel, but rather should adapt such tools to the Chinese management context. For example, the International Finance Corporation has a set of performance standards and environment, health, and social guidelines (IFC, 2012), offering useful guidance for local environmental and social risk management. The Global Reporting Initiative (GRI) also offers well-organized work processes to prioritize key stakeholders and identify major issues (GRI, 2017).

Second, every Chinese company should designate a staff member or team to take care of community issues, as Western companies do. Such a team can form part of the public-relations, government-liaison, or sustainability teams, or become its own entity. This calls for adequate training in community engagement, both for the designated staff and for senior management teams and those working on related business. Ideally, each department should appoint one person to act as a liaison point for community engagement.

Third, Chinese companies should learn how to communicate with NGOs in other countries. Compared to their peers in China, NGOs in other countries are more active. Chinese companies investing overseas simply cannot avoid having contact with NGOs, whether local or international; nor can they reject talking to them even if — or especially if — their businesses have come under NGO fire. When NGOs press companies on sensitive subjects such as religion and land use, Chinese companies should know how to respond and interact; they should also learn to partner with development NGOs on philanthropic projects. If companies want to collaborate with Chinese NGOs in the long term, they might consider working with the Chinese government to help such NGOs establish themselves abroad. After a few years of overseas investment, Chinese companies should have a list of NGOs that they know quite well.

These suggestions find echoes in the work of research institutions and other professional intermediaries who have paid close attention to the topic (e.g., Cai *et al*., 2017), including SynTao and its partners. Since 2014, SynTao has partnered with the Tsinghua University School of Economics and Management, conducting a series of studies that has produced two guidance projects. The first is the China Overseas Investment Risk Map (Figure 7-10). Based on a large pool of risk indicators chosen or constructed by the research team, the Map serves as a database providing country-specific CSR-related risk information. Data sources include statistics from national government, international organizations, and research institutions, along with cross-checked information from national news media. Besides linking data from

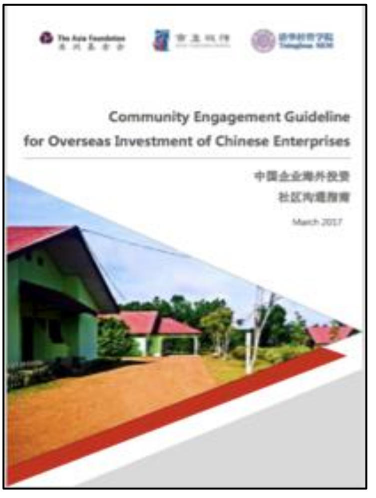
| Figure 7-10 | China Overseas Investment Risk Map

Source: SynTao (2017a).

reliable sources, the Map has recently expanded to complement the Community Engagement Guidelines, the second project discussed below. Through Map data on concerns such as transparency and environmental protection, companies can learn about the potential requirements of local communities before or during the early stage of their investments.

The second project is a publication, *Community Engagement Guideline for Overseas Investment of [sic] Chinese Companies* (Figure 7-11). SynTao again collaborated with Tsinghua University to develop these Guidelines with support from The Asia Foundation. They aim to provide a step-by-step guide to improving community engagement, through the following six principles and seven steps:

| Figure 7-11 | Cover Photo of Community Engagement Guideline for Overseas Investment of Chinese Companies



Source: SynTao (2017b).

Principle 1: Equality and mutual benefit
Principle 2: Seeking common ground while preserving differences
Principle 3: Interactive communication
Principle 4: Consistent messages
Principle 5: Adaptation to local contexts
Principle 6: Walking the talk

Step 1: Creating a dedicated job position and appointing a lead officer
Step 2: Understanding the context
Step 3: Defining and clarifying key messages
Step 4: Building communication channels
Step 5: Carrying out the communication plan effectively
Step 6: Monitoring and feedback
Step 7: Preparing for crisis

The Guidelines include some practical forms and templates for companies to follow. They have met with a good reception during our trials and the initial launches.[48] Interested NGOs, local residents, government agencies, and firm management and employees have taken part in multiple communications sessions. The audience and participants in the trial and launch events also gave constructive feedback about exemplary and comprehensive case studies, which will provide the next steps of tool development and already appear on our agenda.

6. Conclusion

Chinese companies face completely different social and market environments when operating in other countries. Therefore, they need new strategies and approaches to adapt to local contexts where governments play a less-dominant role. This need will only grow as Chinese investment does, particularly as the BRI expands the reach of Chinese firms.

To understand and align the stakeholder expectations with company goals at the community level, Chinese companies urgently need to develop the skills required to engage local communities. These companies, as well as the government, first require tools and guidance, and can then start building capacity of their own by creating designated positions and hiring qualified staff. Furthermore, they need to learn to communicate with NGOs; meanwhile, the Chinese government can also help support Chinese NGOs in expanding to other countries.

This process may take a few years; it also entails great opportunities for advisory firms, development NGOs, media, and other consultants. We hope that tools such as the China Overseas Investment Risk Map and the Community Engagement Guidelines can serve as pioneering examples in this area.

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48 The trials took place from mid-2016 to March 2017 in Indonesia, Laos, and a forum in China with strong investor-community engagement (cited on condition of anonymity). We received critical feedback as well as praise, with an academic participating the feedback session calling it "a long-awaited and much-needed effort". In addition, the country manager of one of the trial sites found the Guideline so useful that he called for an assembly of all middle managers for a community-engagement training session based on its recommendations.

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CHAPTER 8

How AirAsia Reshaped Corporate Responsibility for Greater Impact

By
Mun Ching Yap

Abstract

This chapter presents the AirAsia Foundation as a case study in new corporate social responsibility (CSR) practices. It examines how the AirAsia Group has leveraged its brand identity and business assets to enhance its community engagements. It discusses the 2011 creation of the Foundation as a means to go beyond charitable giving and build a network of brand-linked social enterprises, pooling the CSR resources of each group member. It also stresses the importance of internal capacities (staff, networks, brand recognition, and broad commercial presence) in coordinating and deploying effective actions — for example, promoting social enterprises through in-flight offerings. The Foundation has also sought out CSO partners where its own internal expertise does not fit local conditions. In addressing the rationale for this approach, the author notes that this brand of CSR works because it aligns with business objectives and contributes to long-term business sustainability across the region, building bridges with key opinion leaders outside of the business world along the way.

1. Introduction

Private-sector involvement in development work has become more prevalent as concepts such as public-private partnerships and shared value gain entry into management practice. In Asia, this has become evident in the introduction of corporate social responsibility (CSR) initiatives, now accepted as standard practice for all major corporations. However, this development has also attracted criticism (Doane, 2005); some view CSR activities as token contributions that do not create any long-term impact (Crook, 2005).

This chapter argues that a company's community engagements will work most effectively toward achieving development goals when contributions both align with business objectives and leverage often-overlooked assets, going beyond simple cash donations or in-kind services. These objectives include strengthening a company's brand and "message" through its association with a well-selected social cause; building bridges with key opinion leaders outside of the business world; and introducing greater sustainability into a company's business operations and long-term growth.[49]

Using the case study of AirAsia Foundation, we will examine how the AirAsia Group has leveraged its brand identity and business assets to enhance the quality and impact of its community engagements. This will include discussion on how the Foundation taps the airline group's sales channels, customer base, and internal skills expertise to support its beneficiaries and meet the company's business objectives. The paper will conclude with a discussion of the general costs and trade-offs other companies would face in emulating the Foundation's model in the event they wish to pursue a similar approach.

2. Social Enterprise as a Cause

The AirAsia Foundation was established in 2012 as the philanthropic

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49 The author notes that, although she developed her strategy independently from their thinking, similar points may be found in Porter and Kramer (2006).

arm of the AirAsia Group, a network of nine airlines spread across Asia, with home bases in Southeast Asia or the ASEAN (Association of Southeast Asian Nations) region. Prior to the creation of the foundation, AirAsia's CSR portfolios rested with the communications departments of each AirAsia airline. Typical activities included staff visits to charitable homes or event sponsorships. However, as the AirAsia Group expanded regionally, the inadequacies of this approach became apparent. Since the communications departments determined CSR actions according to country-based strategies, this resulted in each airline selecting a different cause to sponsor. AirAsia also received multiple requests for charitable donations and sponsorships. It became difficult to distinguish requests worth accepting from those that the group should decline.

In 2011, the group conceived the idea of creating a foundation with joint funding and a mandate to support the growth of social enterprises in the ASEAN region. This would enable AirAsia group members to pool their CSR resources in support of a common cause for greater impact. It would also open up an alternative channel to communicating AirAsia's brand identity and ASEAN identity.

The identification of this core focus began with an overview of AirAsia's founding history. Since Malaysian entrepreneur Tony Fernandes bought AirAsia in 2001, the company has become associated with his dynamic persona. Fernandes and Kamarudin Meranun, his co-founder, were executives in the Malaysian music industry when they took over ownership of the struggling Malaysian carrier and built it into a globally recognized company. AirAsia became known for its unconventional approach to the airline business, especially in relation to branding, communications, and marketing – three areas where the duo applied their music industry experience most effectively. In less than a decade, AirAsia changed the face of Asian aviation, prompting established national carriers to rethink their own strategies in face of this new, dynamic competition (Singh *et al*., 2013).

At the turn of the millennium, air travel in Asia was still primarily the privilege of the upper middle classes. Fernandes and Meranun entered this scene with an airline carrying the uncharacteristic tagline, "Now Everyone Can Fly" to prove their hunch that air travel could be made accessible to the masses. Adopting the low-cost aviation model that had taken Europe by storm half a decade earlier, the Malaysia-headquartered AirAsia began a rapid network expansion. It soon established sister airlines across the region: AirAsia Thailand, AirAsia Indonesia, and AirAsia Philippines. Outside the ASEAN capitals, the group also set up hubs in secondary cities from Chiang Mai to Bali.

This backdrop played a central role in the selection of social enterprise as AirAsia Foundation's area of focus. The story of AirAsia had become a well-known tale of inspirational entrepreneurship in the region. AirAsia Foundation received a mandate to support the growth of social enterprises — defined as businesses with a primary goal of tackling social challenges, improving communities, or serving the environment, funded by profits from the sale of goods and services. Fernandes' view may be summed up as, "We don't know anything about running charitable homes and can, at best, contribute money. But in helping social enterprises, we know business, so we can help them build better businesses." This statement represents AirAsia's commitment to carry its entrepreneurial spirit into the area of social change. Social enterprise implicitly carries an empowering self-help message, and the ASEAN scope of the Foundation made it immediately relevant to all of the group's airlines in the region.

The relative infancy of the social enterprise sector also made it well suited for support by a newly created AirAsia Foundation. AirAsia looks to maintain its competitive advantage by becoming an early adopter of new trends and innovations. The company also embraces a unifying ASEAN agenda in response to its rivals' national-carrier advantage. In taking up this cause, the Foundation would not only help grow the burgeoning social enterprise sector, but catalyze changes that would create an ASEAN-wide ecosystem.

(1) Leveraging Assets

The AirAsia Foundation possesses a unique asset in its access to the extensive AirAsia network — an asset that its founding mandate expressly requires it to bring into play. Mindful of the criticisms of CSR as a form of corporate "green-washing" (Corporate Watch, 2006), the

Foundation must also ensure that its activities engage relevant business units, to encourage better results and a sense of ownership among staff and management.

This approach is informed by actual experience. In its early days, AirAsia Foundation saw its main role as a grant-giving organization that would help social enterprises bridge their financing gaps. This gradually expanded to include wide-ranging business mentorship, once the Foundation realized that to ensure best use of the grant monies, the recipients would require enhanced skills in numerous areas along with expanded market access.

This prompted a review of AirAsia group assets available to the foundation, identified as follows:

- The most comprehensive ASEAN air transportation network
- A huge passenger base – AirAsia carried more than 60 million guests in 2016 alone
- Powerful online and offline sales channels
- In-house media and communications assets
- 20,000 staff across multiple disciplines
- A network of global business partners

To complement its financial grants, AirAsia Foundation began building mentorships with its grantees, tapping into different aspects of the AirAsia network. To cite some examples: AirAsia flights now offer products from three social enterprises for on-board sale and through its online shopping channel, bigdutyfree.com. Rags2Riches (Santhinathan, 2013a) from the Philippines and Selaka Kotagede (Santhinathan, 2015) from Indonesia are two social enterprises that produce exclusive artisanal products for AirAsia sales, while Muser Coffee Hill (Thai AirAsia, 2016), a Thai hill-tribe-owned social enterprise, supplies AirAsia's premium coffee product (Box 8-1). For Selaka Kotagede and Muser Coffee Hill especially, this exposure has high value, since neither social enterprise has market reach beyond its immediate locality.

Box 8-1 Muser Coffee Hill Takes Off with AirAsia

Muser Coffee Hill (MCH) is a social enterprise that cultivates and trades in shade-grown coffee in Thailand's northwestern Tak Highlands. It was founded by Muser community leader Jakkapong Mongkhonkeeree to improve the livelihood of hill-tribe farmers and promote forest conservation. Unlike conventional coffee farms, the shade-grown cultivation model requires farmers to increase forest cover to nurture their higher-value crops.

In 2014, AirAsia Foundation approved a grant of THB 647,500 (approximately USD 20,000) to MCH for the purchase of a new coffee roaster and to create a revolving fund for small loans to farmers. The coffee roaster increased MCH's capacity, enabling it to meet with larger purchase orders. To utilize this additional capacity, AirAsia Foundation and Thai social enterprise incubator Change Fusion began working with MCH to develop a new drip coffee product for sale in urban markets.

AirAsia Foundation drew on its network to provide two key areas of support: first, the Foundation connected MCH with advertising specialists to update the social enterprise's brand identity. This facelift enabled Muser coffee to stand out from other organic produce and appeal to urban consumers. Secondly, the Foundation introduced MCH's drip coffee product to AirAsia's Catering unit, thereby increasing sales and providing the small company with an important boost (Table 8-1). The enterprise's association with AirAsia lent it credibility, opening up further new opportunities. In January 2017, MCH's drip coffee sachets became available at gourmet supermarkets in Bangkok.

Table 8-1 Muser Coffee Hill Production Growth 2014-2016

Year	2010	2011	2012
MCH Roasted Beans (kg)	1,500	2,112	2,778
Value (THB)	600,000	844,800	1,533,375

Financial Impact

Out of 2,778 kg of roasted beans MCH sold in 2016, 10 percent were sold as drip coffee (Figure 8-1). This higher value product accounted for 35 percent of total sales value (Figure 8-2). More than 90 percent of drip coffee sachets were sold to AirAsia, netting sales of approximately THB 810,810.

Figure 8-1 MCH Coffee Bean Roasted Product

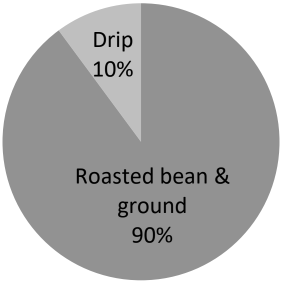
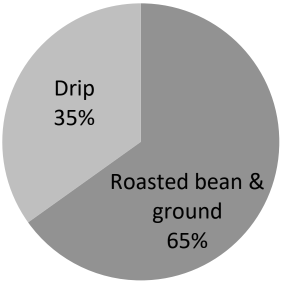


Figure 8-2 MCH Sources of Income



Social and Environmental Impacts

Number of beneficiaries:

- Primary: Cooperative members of MCH – 50 households
- Secondary: Farmers who joined as auxiliary members – 20 households
- Tertiary: Farmers who participated in training courses – 500 persons

Income impact on Cooperative member households:

- Coffee beans sold to Muser received 100 percent higher prices
- Increase in coffee beans sale per household – 5,000 baht per year

Recovered and preserved forest area:

- Approximately 5,535 acres near watershed area of Huay Plalod, Muser Hill. This represents an increase of 1,186 acres compared to 2014.

Source: The internal data presented here was compiled by Thai social-enterprise incubator Change Fusion, a partner of AirAsia Foundation in supporting Muser Coffee Hill's expansion.

In the case of APE Malaysia, a Malaysia-based social enterprise that focuses on environmental conservation, AirAsia Foundation's grant includes access to aircraft scrap materials, which the organization then upcycles into enrichment tools for animals. Tonibung, a Borneo-based renewable energy social enterprise, has received help in creating a revolving fund; it allows indigenous communities in remote villages to purchase micro-hydro turbines through a hire-purchase model. In 2016, AirAsia engineers began training the organization's technicians to improve the efficiency of their turbine-building processes.

Where AirAsia Foundation cannot identify internal expertise, it will invite external partners to fill the breach. In 2013, the Foundation partnered with the British Council Indonesia in organizing a design-innovation workshop for the traditional silversmiths of Kotagede, a historic city in Yogyakarta (British Council Indonesia, 2014). Similarly, in the case of Muser Coffee Hill, the advertising agency Y&R Malaysia helped create a new brand image, the better to reflect the quality of the enterprise's products and communicate its social and environmental mission. These external partnerships rest on the premise that, as the philanthropic arm of a highly visible brand, AirAsia Foundation often attracts interest from other organizations as a potential lender of pro bono assistance. These partners may not have the resources to locate beneficiaries in need of their expertise. AirAsia Foundation bridges this by matching suitable partners according to shared needs and interests.

Social enterprises that offer community-based travel experiences also benefit from direct promotion of their services to AirAsia guests. These include Cambodian Living Arts, a social enterprise that funds classes for underprivileged youth, awarded a grant to expand its traditional arts show (Santhinathan, 2013b); Arkomjogja, a Yogyakarta-based architect collective, funded to develop community-based travel programs addressing heritage conservation goals; and Sapanapro, a hill-tribe social enterprise in the north of Vietnam, which received support for a new community spa offering herbal therapy treatments to travelers (Danker, 2016). All three social enterprises have featured extensively in AirAsia's destination marketing campaigns to its wide traveler base (Box 8-2).

Box 8-2 Letters from AirAsia customers

05 2013

INBOX

www.airasia.com/travel3sixty

LETTER OF THE MONTH!

My best friend and I are fans of cultural events and shows, and we have travelled the world to see the best. While searching for more events to experience, we came across the article *Blossoming of the Arts* (March 2013) in *Travel 3Sixty°*. Having learnt about *Plae Pakaa*, we booked a flight to Phnom Penh with AirAsia's super cheap fares. The following week, we jetted off to Phnom Penh and watched all the shows mentioned in the articles: *Children of Bassac, Lakhaon Yike* and *Passage of Life*. We loved them all and frankly, if it wasn't for *Travel 3Sixty°*, we might never have known of their existence. Once back home, we both registered to sponsor a Cambodian student for USD20 each to give them access to art classes. We believe this is one way to preserve the country's arts and culture. ~ *Fatin Nabilah, via email*

TALK BACK

1st PRIZE

I boarded my first AirAsia flight in November, and although I usually sleep when I fly, this time I reached for the inflight magazine *travel 3Sixty°*, and I'm glad I did! The interesting articles kept me going page after page, but one – *Sustaining Sapa* – stood out, and to say that the feature was an absolutely beautiful read is an understatement! My mind travelled with the writer, across the northern mountains of Vietnam, to Sapa. The pictures of the Red Dao community, one of the larger ethnic minorities in Sapa, were striking, to say the least. Through the Red Dao's elaborately embroidered women's clothing, their carefully prepared herbal therapy concoctions, and the homestays that I'm sure would keep me warm even in the cold of the mountainous region, Sapa beckoned to me. Local social enterprises like Sapanapro and Sapa O'Chau, together with the AirAsia Foundation, deserve praise for helping the communities in Sapa sustain themselves and live a better life. Personally, I would also like to thank *travel 3Sixty°*, for bringing Sapa to me. If not for the magazine, I would never have known of such an interesting place and now, I cannot wait to travel to Sapa! ~ ***AMANDA MONTEIRO***

(2) What's in It for AirAsia?

AirAsia Foundation frequently hears the question "Why?" Although most corporations are willing to support philanthropic initiatives, the extensive and often customized support that the Foundation provides often elicits surprise. Certainly, this approach offers substantial benefits to the social enterprises concerned, but it is less evident why AirAsia would devote its resources to this level of engagement. This section of the paper therefore seeks to explain how AirAsia Foundation's strategy aligns with AirAsia business goals and long-term sustainability, focusing on two (of many) areas of engagement.

To expand on the case of Muser Coffee Hill: AirAsia began using their coffee as part of its strategy to have attractive menu offerings using local produce. The merchandise and catering teams are constantly on the lookout for new products that could appeal to AirAsia guests. AirAsia Foundation's grantees frequently offer items that fit the bill: exclusive, high quality, handmade, and uniquely ASEAN. As an added bonus, they come with a strong social purpose and a good backstory. Such products differentiate AirAsia's catalogue from those of other airlines.

The Foundation also contributes to the business goal of talent management. One of the ways AirAsia attracts and retains top talent is by organizing voluntary activities that motivate and inspire the company's diverse staff.[50] The Foundation's social enterprise network provides a range of possibilities to match skills and needs. For the Foundation's current grantees, AirAsia staff members have provided rebranding services, accounting training, engineering skills training, and product certification support. Unlike more general corporate volunteerism, the Foundation's program aims to draw on the professional skills of the volunteer. The company, in turn, gains from providing staff with a productive channel to apply their business skills

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50 AirAsia has a dedicated culture team whose job is to integrate employees – or "Allstars" – into the airline's culture and ways of working; motivate them to perform at a high level; and inspire them to live the "Allstar Values." The culture team works through a series of local and regional programs for onboarding, community outreach, sustainability, sport and recreation, recognition, celebration, and employee engagement.

in alternative environments, thereby nurturing creativity and adaptability within their respective job functions. While participation is purely voluntary – incentives include free flights and accommodations and recognition during annual reviews – it does help develop the skills of the staff, provide them with meaningful motivation, and foster team-building; an internal survey indicated that participation also boosts employee job satisfaction.

(3) Will This Approach Work for Everyone?

Integrating social responsibility with business priorities requires top management commitment and resources. Business units must have the authority to take social considerations into account when making business decisions. In the case of AirAsia's Inflight unit, this may entail some sacrifice in the form of lower profit margins. Social enterprise products tend to be higher in cost due to smaller production scales and commitment to fair pricing — although using them permits the company to address sourcing sustainability and responsibility. Merchandising teams also have to invest more time in guiding first-time social enterprise suppliers. In business terms, this translates to higher costs, which any company pursuing this strategy must be prepared to accept.

For companies looking at CSR mainly as a means to improve brand image, social enterprise support also presents its challenges. In some Asian countries, inconsistent understanding of what the term "social enterprise" means makes it harder to communicate about the impact of the Foundation's activities. In Vietnam, for example, the term 'social enterprise' broadly covers non-profit organizations, non-governmental organizations and private sector enterprises. As a result, the recognition of social enterprises and their role is understood differently by different people.[51] Support for such enterprises may help address social change

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51 Explanation by Pham Kieu Oanh, Founder and CEO of the Centre for Social Initiatives Promotion, a Hanoi-based social enterprise incubator, at AirAsia Foundation's "Destination GOOD – ASEAN Social Enterprise in Kuala Lumpur" conference in 2015.

in a more sustainable manner, but not the most immediate or visible one. Furthermore, funding social enterprises carries risk – benefits to the target communities can only accrue if the venture succeeds. Given the high rate of failure among social enterprises, any organization that seeks to support this strategy must accept the trade-off between long-term sustainability and short-term relief.

Finally, AirAsia Foundation has the advantage of a unique set of non-monetary assets – a strong mother brand and access to an extensive network. Most businesses do not have the *brand presence* or the *range of assets* to support and promote their beneficiaries. Without the former, a corporate foundation seeking to help social enterprises may find it more challenging to connect its philanthropic aims with its brand. The absence of the latter would render the support more limited and less effective.

3. Conclusion

The ideas explored in this case study do not intend to offer a template for private-sector social responsibility or philanthropy. Rather, this essay shares a key aspect of the AirAsia Foundation experience: that its considered approach to social responsibility – one developed around the corporation's core strengths and business objectives – can return greater benefits to target beneficiaries and to the parent corporation. The results achieved thus far are encouraging, although more time must pass before the AirAsia Foundation model can undergo a thorough impact assessment. The Foundation's next phase of growth will continue to develop based on evolving trends in the social enterprise sector and in AirAsia's business priorities.

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CHAPTER 9

Social Innovation at Cisco: Getting More Girls into Tech in Asia

By
Murugan Vasudevan and Emma Reid

Abstract

This chapter examines Cisco's Women Rock IT (WRIT) program as a case study in "shared value" corporate social engagement. The authors review the well-attested global underrepresentation of women in technology and engineering, and note a particular need to tap women's talent in Asia, where the demand for qualified personnel will continue to grow. They identify social and institutional barriers that may account for this, including lack of educational access, gender stereotypes, gendered differences in school performance, and lack of role models. WRIT, begun in Asia in 2014, aims to address the last-named in particular. The program takes the form of a specially-targeted quarterly broadcast featuring accomplished women at different career stages, whose innovations address global concerns. Access to mentorships and free enrollment in the online Cisco Networking Academy provide participants (women in high school or above) with opportunities to develop tech careers. Some 35,000 have already taken part, and Cisco now seeks CSO and governmental partners to continue expansion of the program.

1. Introduction

In Asia, as in many other parts of the world, one of the biggest challenges is tapping the talents of women for jobs in technology and engineering. According to the *Future of Jobs* report released by the World Economic Forum in 2016, the growth of new and emerging roles in computer, technology, and engineering-related fields has outpaced the rate at which women currently enter those jobs (WEF, 2016). Research by the United Nations Education, Scientific, and Cultural Organization (UNESCO) on seven Asian countries showed that women more frequently study scientific fields like biology, pharmacy and medicine, but remain underrepresented in majors like computer science, physics, and engineering. For example, in Malaysia, 72 percent of pharmacy majors were women, compared to just 36 percent of engineering majors (UNESCO, 2015). This puts women at risk of missing out on tomorrow's best job opportunities, and compounds challenges that companies already have in finding enough qualified tech talent.

There are many reasons for women's underrepresentation in computer, technology, and engineering jobs and academic programs. These include limited access to education, gender stereotypes, gender differences in learning and achievement, and a lack of female role models. For example, a 2009 survey of male and female teenagers, conducted in five countries by European Schoolnet and Cisco, found that both students and their role models considered technology better suited to men. And according to the UNESCO study, more female role models in science, technology, engineering, and math (STEM) could help alleviate negative stereotypes and attract more girls and women into STEM fields. The study cited 20 classrooms observed in Nepal, where nine out of ten teachers in math classes were male, and eight out of ten in science classes.

To increase the visibility of female role models, Cisco's Social Innovation Group in the Asia-Pacific region established the Women Rock-IT program in 2014 (Cisco, 2017a). This chapter shows how exposure to inspiring and successful role models can encourage young women to pursue information technology (IT) career paths and education. It describes how the Women Rock-IT (WRIT) program evolved, its successes and challenges, and its future prospects for expansion across Asia.

2. The Cisco Social Innovation Group Promotes Women in IT

Countries across the Asia Pacific region face a broad range of unprecedented social challenges: unemployment, widening gaps between rich and poor, urbanization, unequal access to quality healthcare and education. Governments cannot solve all the problems on their own, but the private sector can play a pivotal role in addressing them. At Cisco, we believe we have a responsibility to help confront social needs and issues. Strong, healthy communities support a positive business environment and promote economic growth. The right thing to do for society is also good for business – an approach often described as "shared value."

Klaus Schwab, founder and chairman of the World Economic Forum, describes the Fourth Industrial Revolution as the digital revolution, built on the foundations of the preceding electronics and information technology revolution. The digital revolution began in the middle of the last decade and is "characterized by a fusion of technologies that blur the lines between the physical, digital, and biological spheres," Schwab (2016) wrote.

Cisco plays a significant facilitating role in this latest revolution, both as a provider of technology infrastructure and in preparing the digital revolutionaries of the future through education and skills training.

A Shared-Value Approach to Creating Global Problem-Solvers

The Cisco Networking Academy® program is an IT skills- and career-building program offered in 180 countries. With an anticipated two million unfilled information and communications technology (ICT) jobs across the globe by 2022 (World Bank, 2012), Networking Academy helps fill the skills gap in the global IT workforce, serving more than one million students each year. However, more remains to be done to tap into female talent. We face a persistent problem, since 75 percent of the fastest-growing occupations require skills and knowledge in science, technology, engineering, and mathematics (STEM), yet women remain significantly underrepresented in all levels of STEM education (The Observatory, 2013; PWC, 2015).

Analysts have argued that the untapped potential of women in the workforce has had a detrimental effect on the world economy (Woetzel *et al*., 2015; McKinsey & Company, 2008). Given the relatively low representation of women in ICT-related jobs, recruiting more women will help to close the skills gaps and potentially add to global economic growth. However, proportionally fewer women currently enter the technology sector even from a relatively early age (tertiary education onwards), despite being regular leisure users of ICT tools. According to the European Schoolnet study, a majority of female respondents had some interest in the subject, but a far lower percentage considered pursuing careers in the field (Gras-Velazquez *et al*., 2009).

Cisco pays special attention to increasing the participation of women in this field by supplying the earliest possible educational opportunities. Cisco's experience through Networking Academy has given us great insights into success factors for developing the ICT talent of the future. For example, the curriculum design aims to help students develop problem-solving and critical thinking skills, in addition to technical ones. Our online assessments offer immediate feedback and allow our curriculum developers and global educator community to pursue continuous improvement, targeting a learner's optimal pace and requisite materials. Hands-on learning must also supplement theory. Our courses incorporate hands-on labs with real equipment, as well as a simulation and visualization tool that allows for student-directed, collaborative, and open-ended network-building, as well as guided practice in designing, configuring, and troubleshooting networks (Frezzo, 2017).

Our courses also benefit from strong partnerships with government, industry, and education providers, where every player becomes truly vested the other's outcomes, the better to ensure that we open all student minds to technology's opportunities. For example, in the state of Telangana, in southern India, most young people come from underdeveloped communities and are the first in their families to attend college. For them, IT skills can provide a path to a better life. Yet only 6 percent of the state’s 100,000 yearly college graduates have sufficient skill to work in IT. To improve outcomes for these students, the Telangana Academy of Skills & Knowledge (TASK), a government-sponsored nonprofit, partnered with Cisco Networking Academy to provide the software, hardware, teaching tools, infrastructure, and financial backing to modernize the state’s IT curriculum. In the program’s first year, 20 colleges, 2,000 students, and 45 instructors participated. Many of these students, including women, have already obtained jobs in the IT industry, according to TASK Director of Corporate Relations, Bhaskar Gandhavadi (Cisco, 2017b).

Globally, Networking Academy partners with more than 10,400 institutions across 180 countries, teaching digital skills to more than 1 million students each year; 24 percent of those students are female, thus providing greater economic opportunities for individuals and building a pipeline of innovators for the future workforce. In India, we have trained over 150,000 students since the program’s inception, and our female numbers have trended higher than the global average at 28 percent (Cisco, 2017c).

The Women Rock-IT Program

A 2008 McKinsey & Company study, *Women Matter 2*, which surveyed more than 1000 managers from a variety of companies in the European Union and North America, drew the conclusion that “Companies with [a] critical mass of female executives perform better than those without women in leadership positions, because women are more likely to engage in people development, participate in decision making and other leadership behaviors that help companies succeed” (McKinsey, 2008). Drawing inspiration from these findings, we established the Women Rock-IT (WRIT) initiative specifically to expose young women to female role models who have succeeded in the technology sector. Over the last three years, we have invited a diverse group of inspirational female speakers to encourage and motivate both current and potential students.

To address the lack of female industry role models and challenge gender stereotypes, the Cisco Social Innovation Group developed the Women Rock-IT (WRIT) program. The program came into being at a time when Australian enrollments in Year 12 information technology courses hit an all-time 20-year-low, with more girls turning their backs on the subject. The program aims to inspire more young women to study technology, in order to ensure their preparedness for tomorrow's best job opportunities. Women Rock-IT is a quarterly live broadcast with an interactive live question-and-answer session between the audience and speakers, delivered virtually over Cisco TV; we work with Networking Academy partners in the region to air the event on school campuses in 25 countries. We also host students at Cisco offices to join the event live via Cisco Telepresence, a triple-screen videoconferencing system.

Our Women Rock-IT speakers are in different stages of their careers and come from different occupations and businesses. Our speakers use digitization to help solve some of the world's most challenging problems. For example, we have invited a technical account manager at TaroWorks,[52] whose offline mobile application enables organizations to address real-world problems such as climate change and waste management (Yamaoka, 2017); the founder of Farm from a Box,[53] which addresses hunger and poverty in vulnerable rural communities globally, using an ecosystem of smart farming technologies; and a veterinary surgeon, who used technology that will help an injured bear to walk again (Cisco, 2015). These speakers demonstrate that innovative thinking and technology provide the key to solving global problems — global hunger, water scarcity, climate change, and insufficient crop yields, among others (DiCarli, 2017). To ensure that the audience does not feel too distant from our speakers, we feature young women who act as relatable and realistic role models. For example, the 2017-2018 series included an American college student, Mary McCulloch, who designed the Voz Box, a device that helps speech-challenged people communicate with small muscle movements. Ms. McColluch won Cisco's first annual Global Problem Solver Challenge grand prize of USD 100,000 in June

52 See www.taroworks.org.
53 See www.farmfromabox.com/.

2017 (Quesnay, 2017). We continually explore Cisco's ecosystem, as well as the global technology industry, to find the most interesting and impressive role models.[54]

Alongside the inspiration and encouragement our speakers bring to the Women Rock-IT program, we offer free access the Cisco Networking Academy's self-enroll online courses, such as "Introduction to the Internet of Things," "Introduction to Cybersecurity," and "Entrepreneurship," to enable our young female audience to develop the appropriate skills for the industry. Participants are directed to a website where they can enroll in the courses developed by Cisco Networking Academy curriculum developers. They take the courses online at their own pace through our cloud-based learning platform.

In conjunction with the Cisco TV Series broadcasts, we also sponsor the "Mentor Me Cisco Competition" awards, which gives three WRIT participants from Australia a six-month mentorship with Cisco's first female Distinguished Systems Engineer, Vanessa Sulikowski. Winners have a monthly, one-hour session with Ms. Sulikowski via Cisco WebEx collaboration technology. Of the three winners to date, two were in university and one had a job in the industry.

What's Next

The WRIT program is open to young women in high school and above. Since launching the program in 2014, 35,000 young women across the Asia-Pacific region have joined our events live. Based on online surveys of attendees conducted after each event, 98 percent of attendees consider technology skills important to their careers, and 76 percent planned to enroll in a tech course within six months. Since WRIT commenced in 2014, the female student participation rate in Cisco Networking Academy courses has increased 1 percent year-over-year across the Asia Pacific-Japan region (Cisco, 2017c). This increase is not insignificant, because as these women enter the workforce they

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54 A full list of upcoming Global Problem Solver Challenge speakers along with recordings of previous speakers are available at http://www.cisco.com/c/m/en_sg/partners/women-rock-it.html.

could have a profound impact on their home economies. One projection for Australia estimated that a 1 percent increase in people choosing STEM-related careers would result in significant gains for the country's economy, exceeding over USD 50 billion in revenue (PWC, 2015).

What started as an experiment is now a program that has caught the attention of governments and development organizations, who have volunteered to partner with us in taking this to a larger audience. In the Indian state of Telangana, the Department of IT organizes at least one event every quarter around WRIT by bringing together women leaders from local companies to talk to a live audience after the Cisco TV session. In the state of Madhya Pradesh, a local nonprofit takes WRIT to girls from the rural Chhindwara district who do not even have access to the internet. To accommodate such underserved populations and contextualize WRIT for local audiences, we provide the presentation ahead of time to our program managers, so that they can translate it, localize it, and even review it after the event with their in-person audience. The WRIT speakers also strive to break down their messages by providing examples relevant to the countries and communities where our young women attendees live.

We believe that women's tech presence is a complex global problem calling for a shared-value approach: if companies generate economic value in a way that also creates social progress and helps build a better coalition between governments, nonprofits, and corporations, we may yet see its solution. WRIT gives an example of how we could highlight and address that global issue by leveraging our collaboration technology and the resources of our Networking Academy program. By building components such as the free technology courses, mentorship prizes, and library of past sessions, reports, research, and presenter-authored blogs, we can offer something much more substantial than just a webinar. As we reflect on how to take the program further, we will look into more partnerships, more delivery channels (such as YouTube and Facebook), and more diverse speakers.

3. Conclusion

Digitization has transformed every industry and in the process brings new opportunities for the youth of today. With more women participating in the tech industry, we will begin to reduce the skills gap and increase business growth. We may also see more technology solutions, like those developed by many of our Women Rock-IT speakers, that can benefit society and solve real-world problems. There is no magic bullet for increasing the proportion of women in tech. But we know that if we bring people together, they find innovative solutions; if we add technology and more women into the mix, we can multiply our impact and uncover even greater opportunities. Companies in the tech sector have an obligation to take the lead in encouraging more women into technology careers. Cisco's Women Rock-IT program is but one example of how a shared-value approach can help towards solving this problem.

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CHAPTER 10

LGE Creates Shared Value While Doing Business Abroad

By
Hyunjin Jeon

Abstract

This chapter offers LG Electronics (LGE) as a case study in "shared value" approaches to corporate social engagement, emphasizing its promotion of ethical consumption through all stages of operations and its integration of technologies into host communities abroad. It argues that this is a particularly appropriate strategy for a business-to-consumer company, one that allows it to generate complementary business sustainability and CSR approaches. The author reviews the growth of LGE and its corporate culture, noting how the company has deployed its personnel and products in disaster relief, created partnerships with local healthcare providers, and reduced sourcing of conflict minerals (explicitly in response to consumer demand). Three sectors receive special attention: LG efforts in solar energy, offered to several communities as pro-social and environmentally responsible options; "Mosquito Away" technologies, targeting mosquito control in Nigeria and Bangladesh and engaging local and international CSOs; and educational initiatives, including joint actions with KOICA in Ethiopia and World Vision Vietnam.

1. Introduction

In 2015, world leaders from 196 countries ratified the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development. Over the next fifteen years, countries will mobilize efforts to end all forms of poverty, fight inequalities, and tackle climate change, while ensuring that no one is left behind. The SDGs will highlight global partnerships, including private-sector engagement, as they create momentum toward sustainable development. When companies consider their customers, they should pay special attention to both their needs and their demands for ethical consumption – especially business-to-consumer (B2C) companies such as LG, a manufacturer of consumer electronics. In this connection, corporate social responsibility (CSR) becomes an essential function for reducing negative social impacts and creating positive ones, especially in foreign countries where the company has operations. As companies seek both competitiveness and sustainability in frontier international markets, they will need to "create shared value" (CSV) through complementary business and CSR strategies. This strategic framework develops future markets while also strengthening economies, the marketplace, communities, and corporate coffers (Porter and Kramer, 2011). This case study demonstrates how LG Electronics (LGE) and LG Group have applied their core capabilities toward driving social impact in partner countries and markets.

2. LGE Corporate Culture Aligns with CSR and CSV

LG Corporation began operations in 1947 as Lak-Hui Chemical Industrial Corp. (currently LG Chem), a small startup company in war-torn Korea. Led by a young entrepreneur, In-hwoi Koo, it was the first Korean company to enter the plastics industry (Shah, 2006). Koo then went on to found LG Electronics in 1958; it produced the first Korean radios, TVs, washing machines, and consumer electronics. About 60 years later, the LG Group holding company became one of the leading global electronics companies, operating in more than 120 countries and ranked 201 in the 2016 Fortune Global 500 (Fortune, 2016).

Recently CSR and CSV have become major global trends in industry. The preexisting corporate culture plays an important role in enhancing social contribution activities. LGE's emphasis on social contribution derives from its founder's insights. In the 1960s, In-hwoi Koo noted that "companies must prioritize the societies in which they operate and strive towards contributing to their long-term development. We should find work that [benefits] our community while we go about doing our business" (LG Foundation, 2017). A set of guiding principles issued to every LG employee, the "LG Way," clearly shows how the firm aims to become "No. 1 LG" through "Jeong-do Management." "Jeong-do" means "right way" in Korean. Thus the company emphasizes making the right decisions in the process of doing business, for example through anti-corruption measures, respect for human rights, and social responsibility rooted in "customer value creation" and "people-oriented management" (LG, 2017a; b). Across the company, LG shares the "LG Way" with its employees as a philosophy of corporate culture highlighting substantive customer-oriented value creation and ethical corporate behavior. In addition to product creation, this philosophy underpins LG CSR activities in about 60 countries under its slogan, 'Life's Good with LG,' aiming to cooperate toward a better life for all. Three principal strategies shape these CSR efforts, as outlined below.

(1) Bolstering Branding through Social Contributions

First, LG has expanded its social contribution activities alongside its business in emerging markets to build brand awareness. Around 1963, the Gold Star began to pay attention to community, offering radio distribution and computer libraries in rural area and free A/S (After Service) after disasters such as flooding. Around 1995, the company renamed itself LG Electronics (LGE), and expanded its business outside of Korea to countries including Thailand, China and USA. With the globalization of the company came expanded global social action.

These days, this trend has clearly continued. In 2016, about 93 subsidiaries in 54 countries undertook some form of CSR activity (LGE, 2017). For example, LGE's free medical service and health campaign project in Southeast Asia began in 2013. When Myanmar ended nearly 50 years of direct military rule and opened its doors for foreign investments in 2012, many corporations and nongovernmental organizations (NGOs) rushed into the country. At that time, LGE already had a local office for business, but the country's new openness prompted LG to begin producing social-contribution projects. Based on internal research, LGE realized that Myanmar had poor health infrastructure and few facilities for cultural events, even in the main city, Yangon. Under a partnership with national hospitals in Korea and Myanmar, they launched a health campaign project to promote health and sanitation awareness through free medical services and cultural events (LGE, 2014). Once a month, the health campaign bus visited rural villages and their community centers, bringing local doctors for medical checkups and sanitation training. This campaign also provided entertainment programs, such as a festival with a song competition, movie-screenings, and photo-booths where visitors could have their picture taken – a rare opportunity for rural residents to obtain a family photo. In 2013, this campaign team visited 7 villages and met about 9,000 local participants. Afterwards, the program expanded to Bangladesh and Cambodia (LGE, 2014); in 2016, the bus visited 18 villages and reached about 60,000 people (LGE, 2017).

(2) Meeting Consumer Demand for Ethical Products

Second, in response to customer needs and calls for ethical consumption, the company has focused on managing its CSR risks in labor, the environment, and human rights. The internal effort towards "healthy" practices can both improve community life and reduce workplace friction. In the LG context, "healthy" refers to the physical and ethical well-being of people (employees, customers, stakeholders) and the soundness of its organizational culture. In developed countries, NGOs or governments may request that companies improve their product performance on both technical and broad ethical criteria. During the last few years, those requests from diverse stakeholders — such as clients, NGOs, investors, and evaluators — have increased dramatically. In 2016, LGE responded to 266 requests for assessments and evaluations. About 74 percent of the requests came from clients (such as telecom companies, hotels, and car makers), while 44 percent of the questions pertained to energy, the environment, safety and health). Other topics included supplier management (13 percent), labor and human rights (10 percent), CSR management mechanisms[55] (9 percent), and conflict-mineral management[56] (8 percent) (LGE, 2017).

To ensure "healthy" practices in the value chain, LGE manages CSR risks at several levels in the countries where they have factories and sites, using self-assessments and audits to meet international and national standards in the production process. As of 2016, LGE has 42 factories around the world; 21 are in Asian countries (Korea excepted), including China, India, Indonesia and Vietnam. In most cases, the company has built factories in developing countries, seeking reasonable wage levels and good import/export infrastructure (such as ports and roadways). Managing a healthy work environment in these countries means care for local communities and populations, following global human rights standards in areas such as child labor, working hours, environmental pollution, and safety issues. In this regard, LG's CSR risk management links directly with the lives of local people.

Recently, the scope of CSR risk management has expanded into supplier CSR management and ethical raw-material sourcing. In 2016, LGE conducted self-assessment of 27 business sites and 1,335 suppliers, and audited suppliers based in Asia, including China and Vietnam (LGE, 2017). Conflict minerals provide an important example of CSR risk in this area, chiefly tin, tungsten, tantalum, gold (3TG) derived from the eastern provinces of the Democratic Republic of the Congo (DRC); various rebel groups have profited from mining while contributing to violence and exploitation in regional wars. These materials are essential in the manufacture of a variety of consumer electronics such as mobile and laptops. As a part of international efforts to reduce trade in conflict resources, the United States' 2010 Dodd-Frank Wall Street Reform and

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55 A CSR management mechanism refers to whether a company has their own CSR committee with top-management involvement.

56 In the electronics industry, conflict-minerals management refers to systems that track the sourcing and use of minerals used in production.

Consumer Protection Act required manufactures to audit their supply chains and report use of conflict minerals (US, 2010).

Under this heading, LGE established a conflict minerals management program in 2013, including forming a corporate-level, cross-functional taskforce. The company also launched a system to support 3TG traceability, one capable of collecting information from suppliers on the origins and use of 3TG minerals. LGE has increased its conflict-free smelter ratio to 87 percent in 2016, up from 49 percent in 2014 (LGE, 2017). LGE has also joined a multi-stakeholder initiative to help support sustainable forms of tin mining in Banka-Belitung, Indonesia, one of the world's top tin producers (LGE, 2017). LGE joined a multi-stakeholder group to explore responsible tin sourcing while continuing support to local economies and communities. With the other working group members, LGE has agreed upon the 2016-2020 roadmap and confirmed their commitment to implement responsible tin-mining operations (LGE, 2017). By supporting this global movement towards ethical and responsible resource management, LG helps to ensure peaceful communities and enhanced quality of life.

3) Embodying the Corporate Slogan

Third, LGE tries to create diverse, environmentally-healthy, ethical and pro-social products, adding value to customer technology in ways that respond to local issues, support communities, and improve quality of life for the poor. It also contributes to a healthy workforce by developing core capabilities that can bolster young entrepreneurs. Three examples will demonstrate how LG accomplishes these aims.

Example 1. The LG Solar Station: Using Our Own Technology

In developing countries, LG implements initiatives that address the specific needs of each community, creating "technology that cares" and building a better life for all. Solar-related projects provide one example. LGE started its solar-energy research and development in 1995 and launched its first solar panel in 2010. With this experience and technology, LG provides a stable power supply to local areas in need, in countries including Korea, Ethiopia, Sri Lanka, Cambodia, Syria, and Pakistan. For example, in 2015, LGE held an internal review and selected Pakistan as one of its priority countries for CSR. At that time, according to World Bank's Country Partnership Strategy 2015-2019 for Pakistan, electric power had become a major economic and social issue because severe institutional shortcomings had constrained supply, resulting in widespread outages and load shedding (World Bank, 2015). After discussion with local managers and NGOs, LG decided to provide small-scale solar-power systems (solar panels, invertors, batteries, and maintenance training) to one library and two hospitals in two rural provinces. In 2016, LGE also donated a solar-power system to the emergency room of a local health clinic in Lahore, retrofitting the facility (LGE, 2017).

In some instances, LG has provided products and technology for emergency relief activities. In 2013, as part the rebuilding effort after super-typhoon "Yolanda" and in cooperation with the Philippines Department of Energy, LG installed solar panels for a displaced-persons camp in the Tacloban area; these provided electricity for mobile charging, lighting and television. (LGE, 2014). The solar-powered system was actually ready for sale in a Philippines warehouse, but once the typhoon struck, the local office simply offered it to the storm victims in temporary shelter. A single solar panel can light 40 LED bulbs for nine hours, activate 30 mobile charger units for 24 hours, and switch on five LED TVs for five hours. In addition, acting as a member of the Philippines community in the storm's wake, LGE donated financial support through the Red Cross and sent emergency relief goods packed by LG employees in the Philippines (LGE, 2014).

As technological products develop, they can also serve social causes. In 2014 LG provided 2000 smart phones to monitor the spread of Ebola among West African health workers through the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA). In 2015, LG also donated 500 smart phones through the same agency to help with information-sharing and training during the Nepal earthquake relief effort.

Example 2. Mosquito Away AC: Creating Locality-Specific Products

With the goal of 'innovation for a better life', LGE puts great effort into identifying social issues specific to each region and country and developing products to address them. Introduced in 2012 to selected markets in Africa and Asia, the "Mosquito Away" air conditioner features a special ultrasonic wave generator to chase away malaria-bearing mosquitoes, which pose great health and hygiene risks in these regions (LGE, 2014). The "Mosquito Away" air conditioner has a speaker generating an inaudible ultrasonic wave at a specific frequency of over 30kHz, which is harmless to humans. The ultrasonic wave incapacitates or repels mosquitoes. Highlighting a social need, LGE has designed these locality-specific products to assist residents in their daily fight against mosquitoes.

In tandem with the launch of this product, LGE undertook CSR activities in targeted localities, donating the "Mosquito Away" air conditioners as well as treated mosquito nets to local health centers in Nigeria and Bangladesh (LGE, 2015). To enhance health care and improve sanitation in Bangladesh and India, LGE engaged in a mosquito control campaign, including source reduction, control actions in low-income neighborhoods, and awareness classes on mosquito-transmitted diseases (in partnership with Good Neighbors Bangladesh in Bangladesh and Smile Foundation in India). In India, LGE conducted control actions in 83 rural locations outside of New Delhi, enhancing living conditions for more than 1.1 million local residents (LGE, 2017).

Example 3. Technical and Vocational School: Contributing to Social Betterment and Shared Value

LGE has highlighted the importance of education and training as a key social contribution, and has focused on fostering skills and self-reliance among the younger generation in developing countries. This approach also contributes to the value chain of the company by ensuring a pool of suitable workers. In 2014, LGE joined with the Korea International Cooperation Agency (KOICA) to launch the LG-KOICA

Hope Technical, Vocational and Educational Training (TVET) College in Ethiopia (LGE, 2015). This formal three-year school is a public-private partnership that aims to build local capacity in electronics repair and IT services. After three years' schooling — including special training by LGE service masters twice a year and a study tour in Dubai — around 60 students successfully graduated in 2017. Two received jobs in the LGE Service Subsidiary in the United Arab Emirates, while the others found work in the local service center. Some of them have since opened their own repair businesses (LGE, 2017).

In 2017, LGE launched support for vocational schools by providing a customized training program for Vietnamese students, in conjunction with World Vision Vietnam (World Vision, 2017). This not only helped train the younger generation but also fostered skilled workers near the large new Haiphong factory in northern Vietnam. These approaches remind us that in Korea, the LG Group established the Yonam Institute of Digital Technology in 1984 to foster young high-skilled technicians (Yonam, 2017). LGE also partnered with several high schools and polytechnic colleges to provide industry-friendly technology and curriculum.

3. Conclusion

As seen from the foregoing examples, companies can create shared value and contribute to the markets where they sell by going beyond cash or in-kind donations. They can both produce better products and create a more broadly ethical working environment around issues such as labor, human rights, and the environment. To succeed in this, a company should pay close attention to a variety of social issues and needs that will capture value for the diverse stakeholders. Internally, the company should foster close collaboration among various departments, such as product planning, R&D, marketing, CSV, and CSR, seeking solid solutions that can exploit core capacities and thus make a larger impact. The strategy may differ according to the size of the market and the country's stage of economic development, but the more the strategic approach reflects the business' core capabilities, the more likely it is to create sustainability, both for society and the company. LG plans to build on this strategy in the future — by developing more products and technology that can meet social needs in developing countries; by building the capacity of young people in emerging markets. In this way, wherever it operates, LG will make good on its CSR slogan, “Life’s Good with LG”.

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CHAPTER 11

Ricoh Creates Shared Value in India to Drive Business Innovation

By
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Abstract

This case study shows how Ricoh Company, Ltd. addressed social problems in India as opportunities to transform its own business by sharing value with the nonprofit sector. It presents two projects: the first, conducted jointly with the Drishtee Foundation, helped create women-run businesses to meet women's consumer needs in Bihar, with Ricoh offering both seed funding and business software. In the second case, Ricoh's Visual Communications division targeted multiethnic classrooms in three poor states via a partnership with Save the Children; it supplied simple battery-run projectors and multimedia content stored on data sticks, with an emphasis on environmental subjects. Evaluations showed that these interventions significantly improved student performance in the 30 participant schools. The author argues that these strategic partnerships with NGOs enabled Ricoh to improve livelihood opportunities for women and learning outcomes for students, while simultaneously expanding the market for Ricoh technology. These successes have spurred Ricoh's commitment to future social impact initiatives.

1. Introduction

As globalization progresses, it produces many challenges connected to social, economic, religious, and regional differences, especially in developing and emerging countries. The public sector — including government, non-profit/non-government organization and other social groups — cannot tackle such challenges alone. Many private companies have engaged in corporate social responsibility (CSR) activities, attempting to resolve various social challenges by circulating profits made in commercial markets. Despite great efforts to solve long-term problems, however, CSR activities often remain in the realm of philanthropy that simply provides funds or products to alleviate specific social issues on a temporary or very short-term basis and that benefits only one specific area or group of people. Difficulties arise in making such activities sustainable over the long term; this requires converting them into new revenue sources that ensure adequate company profits that can be used to fund longer-term, self-sustaining solutions. Companies seeking to compete effectively in developing and emerging markets have found it increasingly difficult to provide low-cost products with quality appropriate for those markets. Thus they look to activities that create shared value (CSV) as excellent vehicles for finding profitable business opportunities that also address social causes.

This case study presents how Ricoh Company, Ltd. saw social problems in India as opportunities to transform its own business by sharing value with the nonprofit sector. The two projects presented below demonstrate how strategic partnerships with nongovernmental organizations (NGOs) enabled Ricoh to improve livelihood opportunities for women and learning outcomes for students, while simultaneously expanding the market for Ricoh technology. The case study concludes with the lessons learned by Ricoh through the CSV experience and describes Ricoh's commitment to future social impact initiatives.

2. Ricoh's History and Core Values

Ricoh Corporate Limited is a Japanese manufacturer of a wide variety of products, from office equipment to high-precision industrial lenses. The company's founder, Kiyoshi Ichimura framed the business around three core values called "The Spirit of Three Loves: Love your neighbors, love your country, love your work." Following the principle of "Oyakudachi" ("A passion to serve" in Japanese), Ichimura intended to inspire, assist, and energize people after the losses of World War II in order to help them rebuild their nation and regain pride in their homeland. To this day, Ricoh management believes that imagination is the greatest asset that a company, a country, or the world can have. Through creative thinking and collaboration, people can improve the way communities live and work together. Ricoh helps its customers harness the energy of its collective imagination to achieve a more productive, fulfilling, and sustainable quality of life. At the same time, Ricoh strives to minimize the negative environmental and social impacts of its business practices.

From Japan, Ricoh has expanded its operations to more than 200 countries and over 100,000 employees. It considers the planet its home "country" and embraces a vision to serve society through innovation, enthusiasm, and respect for all people, while fulfilling its commitment to contribute to a sustainable future for business, society, and the earth. To deliver this value to society today, Ricoh faces two major obstacles. First, the workplace has changed. Many people no longer work in one location. Instead, they often remotely share information virtually and electronically. This challenges the value of Ricoh's core business – providing printing solutions. Second, the complexity of social issues has increased worldwide. Since its business activities affect many places on earth, those actions may rebound as business risks. To tackle these hurdles, Ricoh has changed the way it does business by adopting a shared-value approach.

Creating Shared Value in India

Ricoh India Limited was established in 1993 as a sales company to cover the country. At present, the Indian subsidiary has over 1,100 employees and 22 branch offices. It sells office equipment and provides customers with managed services, including information technology; it is well-positioned to grow with India's advancing economy. When creating new business opportunities, Ricoh India also seeks to address some of the many social challenges facing the country.

Ricoh Technology Expands Women's Business Opportunities in India

Despite rapid economic growth, many people in developing and emerging countries remain at the so-called "bottom of the pyramid" (BOP) (Prahalad, 2004) where they suffer from a lack of basic infrastructure. In October 2008, Ricoh launched a BOP project that aimed to help local would-be entrepreneurs explore business opportunities, create new businesses, and support community development in rural villages. Ricoh identified the Drishtee Foundation, a social enterprise working in rural India, as a potential partner. Together, they accessed a network of over 15,000 rural enterprises and created a direct-delivery rural supply-chain network. In 2010, Ricoh sent employee volunteers on an eight-week deployment to work in a village in the Madhubani District, Bihar, where Drishtee has a strong presence. The volunteers learned that rural women faced hurdles when shopping because needed items, such as underwear and feminine-hygiene products, were sometimes unavailable locally, or available only in shops run by men, leading to embarrassment for the women. In 2011, Ricoh and Drishtee developed a plan for a women-run shop for women's needs and opened the first shop under the "Momo Rangoli" brand (Drishtee, n.d.).

Ricoh initially saw the project as a CSR activity; it gave money to Drishtee to support and manage shops and provided shop owners with a free, simple, tablet-based system for efficient sales and inventory management. As the number of Momo Rangoli shops grew, Ricoh contributed software for a shop-management platform; it provides an easier ordering system, inventory controls, illustrated store catalogs, and simple customer relationship management (CRM) functionality. In the near future, when a utility-based charging scheme comes into service, the platform will reach a wider range of users. Ricoh's easy-to-use platform has enabled shop owners to save time by allowing them to manage their shops and serve customers with a few clicks on a tablet computer.

Drawing upon Drishtee's experience, Momo Rangoli has expanded to 70 outlets; up to 250 shops are planned to open by 2019. The project has shown viable social impacts, developing women entrepreneurs and improving their economic independence in rural communities (Drishtee, 2017). Local businesses now have a marketing platform for their products that has bridged the distance between major cities and rural villages via the internet and real-time information. In return, Ricoh gained a user base where it can test new business ideas in a unique market that has financial-transaction capabilities in place.

A Digital Classroom

In October 2011, the Visual Communication Division at Ricoh headquarters explored new sales opportunities for projectors in the education sector, especially in developing countries. After researching the primary and secondary education market, they found an opportunity in India. With education universal, free and compulsory for children aged 14 and under, the country has most primary schools and schoolchildren in the world, about 260 million pupils (Economist, 2017). However, educational facilities face a range of challenges including a multi-lingual population, low literacy rates of 62.7 percent overall, of which 74.0 percent for men and 51.8 percent for women (UNESCO IFS, 2017), and low educational achievement levels: only 65 percent of students complete primary school, while 34.2 percent drop out before graduation (UNESCO, 2017). Based on these facts, Ricoh developed the hypothesis that, even more than in developed countries, the Indian education market would benefit from easy-to-understand audio-visual multimedia content.

In June 2012, Ricoh arranged a field trip in India with the help of Save the Children, a nonprofit organization supporting children's rights, to understand the conditions and challenges children face in school.

During the visit to the National Capital Region, Telangana, and Bihar, the Ricoh team identified three issues affecting public schools: insufficient basic infrastructure, especially electricity, a lack of quality learning materials, and little dynamic interaction between teachers and students.

To enhance teaching and learning quality in these schools, team members came up with the idea to introduce and combine a simple technology — a rechargeable, battery-run projector — with teaching materials loaded on a memory stick.

Since 2010, the Japan International Corporation Agency (JICA) has provided funds for private companies to develop new sustainable businesses that can improve lives in developing countries. In conjunction with Save the Children, Ricoh developed the projector idea, secured funding for an applied study of its effectiveness, and started a pilot project in October 2013. The pilot project aimed to verify the effectiveness of the solution in improving the classroom experience for both students and teachers. At each selected school, teachers taught with the digital materials and hands-on experimentation kits so that the pupils could touch and take part in classroom lessons about energy generation.

Ricoh had designed the multimedia package for grades 4 and 5 Environmental Studies. Its digital video contents were developed with students from Delhi University, and Ricoh provided the analog content – the projectors and a hands-on kit for some experiments. The package was expected to provide educational value by making it easy for anyone to access high quality materials. Teachers received training on interactive teaching methods using basic personal computers, software and the projectors

Ricoh tested the concept at 30 schools in three Indian states and with more than 1,600 students. During the test, the project team refined the technology package to make it more user-friendly for teachers. For example, Ricoh introduced a battery-operated projector and an easy-to-use remote control which has a simplified design with larger and fewer buttons.

The results were positive. The students' academic performance improved by more than 25 percent after the use of the multimedia contents. Their interest in and understanding of environmental studies also increased. Moreover, the children displayed more leadership outside the classroom, fortified by the knowledge they gained. Some unexpected results also occurred. Ricoh had initially planned to supply already-developed digital content to teachers, based on the knowledge gained through the project. However, as part of the training, teachers created their own digital content with the support of the District Institute of Education and Training (DIET), and state-government organizations. As a result, teachers preferred to use content they had developed over materials provided by the project team. In New Delhi and Telangana, Ricoh received requests from other teachers for support in creating digital content for their classrooms. The project motivated many teachers to improve their teaching quality and to teach themselves more. Ricoh also proposed a cloud-based library for teachers to readily store, share, and create more still and animated content.

Ricoh has continued its partnership with Save the Children to expand this digital classroom initiative to other Indian states. Projectors are now being used in more than 1,000 schools serving more than 50,000 students in Telangana.

Lessons, Challenges, and Impact for Ricoh India

Ricoh believes that with the right investment and partners, business can drive sustainability through a shared-value approach. While these two projects successfully moved from concept and product testing to sustainable business, they provided a few key lessons that will inform Ricoh's future initiatives.

First, a common cause unites. "The Spirit of Three Loves" assures our corporate direction and unites the global Ricoh Group. In India, commitments to improve women's poor social status and to reduce the financial and digital gap between urban and rural areas enabled Drishtee and Ricoh to form a trust-based partnership. In the digital education project, a shared passion for enhancing education quality bound together multiple organizations, leveraging their individual specializations for greater overall impact. Shared values united various stakeholders to work together towards the same goal without hesitation.

A company can gain in-depth knowledge of the target communities, crucial for project sustainability, through partnerships with NGOs. Collaboration with Drishtee enabled Ricoh to outsource the management of the Momo Rangoli shops and scale up its business. Without Save the Children's contacts within federal, state, and local governments in India, Ricoh would have struggled to gain access to schools.

Technology is effective when it can be adapted to meet the needs of the user. In both cases, stakeholders' participation from women, teachers, and students, led to the development of appropriate technology and better products for the Indian market.

3. Conclusion and Way Forward

These two successful cases in India played a significant role in convincing Ricoh's senior management at its Tokyo headquarters to commit to aligning Ricoh business with selected UN Sustainable Development Goals (SDGs) through a shared-value approach. In 2017, this strategy was developed into a three-year management plan as a means to innovate new business offerings and gain competitive advantages in markets.

Using Ricoh's principle of "Oyakudachi", the company introduced this approach to employees. Management encouraged staff to consider the core values underlying each of their business in relation to the SDGs and act locally to solve them. Value sharing is a way to break down walls between partners across sectors and strategically unite them. In addition, it pushes companies and partners to challenge their standard perspectives when facing local issues; innovative ideas may arise from addressing such issues, leading to profitable and sustainable solutions.

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Conclusion

In other volumes in this series (e.g. Mulakala, 2016), we have shown how the resurgence of Asian powers and the growth of South-South Cooperation (SSC) have defined key features of the current era — one that sees traditional aid in its twilight and countries applying alternate resources and forms of cooperation to tackle global development challenges. In this world beyond aid, Asian-led SSC diversifies the traditional state-led approach, modulating it into one that includes and shares responsibility with nongovernmental and private-sector organizations. This evolution has not proven a uniform one nor free from challenges, as several of the chapters and case studies reveal. Our volume suggests several pivotal means of improving the impact of Asian SSC by leveraging the assets of civil society and the private sector.

First, the authors demonstrate that Asian governments can enable or stifle the ability of their national civil society and nongovernmental organizations (CSOs, NGOs) to engage in international work. Whether through funding, regulations, or institutional mechanisms, Asian states exert significant power and influence over the extent of civil society participation in overseas development.

As Kim observes in the Korean case, state funding for NGOs has enabled them to expand their work overseas and implement Korean public-private partnership (PPP) programs. However, this resource flow has led to a situation in which dependence on government grants and procedures has compromised the autonomy of Korean NGOs; burdensome compliance and reporting requirements have inhibited their effectiveness. In India, where civil society has a vibrant history in domestic development as well as capable international experience, the strictly state-led SSC includes space for only a selected few CSOs. Bandyopadhya discusses the government's missed opportunity to harness the capacities and networks of Indian NGOs and so advance and enrich its SSC. Instead, Indian CSOs report ever-greater regulation and restrictions on their operations and funding. The Chinese case appears the most strategic, even though Chinese NGOs have the least experience working outside China. In contrast to India, the contemporary Chinese state has actively created an enabling environment for NGOs. As Yao points out, Chinese SSC has entered a rapid and massive expansion mode, and strategic partnerships are crucial to the successful implementation of the Belt and Road Initiative (BRI). Correspondingly, the Chinese government has recognized and acknowledged Chinese NGOs as essential partners and backed this commitment with facilitative policy reforms and funding schemes, such as the USD 3 billion South-South Cooperation Assistance Fund.

The experience from each of the countries offers lessons for all three. The authors concur that civil society participation enhances the impact of Asian SSC. Governments can maximize these partnerships if they 1) offer capacity-building, particularly in project management and implementation, 2) streamline institutional architecture for clear and dedicated coordination with NGOs, 3) ease rather than tighten the regulatory environment, and 4) enhance policy dialogue and knowledge-sharing with CSOs on development cooperation strategies.

Second, the BRAC and CFPA case studies provide lessons for CSO globalization. Choudhury and Wu, Ji, and Wang argue that CSOs must become business-minded and outward-looking to maintain autonomy and ensure sustainability. BRAC established an international office in the Netherlands to enable its globalization. To reduce financial dependence on any one funding source, and in cognizance of the beyond-aid scenario, BRAC created its own social enterprises, which generate 80 percent of its USD 1 billion budget. Similarly, CFPA launched its own microfinance institution in collaboration with Chinese tech firms such as Alibaba (Xinhua, 2017). While providing needed financing for China's farmers, the enterprise generates income that can presumably support CPFA's international expansion. Internationally, CFPA also partners with Chinese firms (which have heavy overseas investments) to expand its reach and develop complementary programs.

This leads to a third pivotal factor. NGO-private sector partnerships offer beyond-aid answers to sustainability and scale by combining complementary resources and capabilities to address development challenges.

Yao suggests that the BRI offers an opportunity for closer cooperation between Chinese CSOs and enterprises. Guo and Duan echo this sentiment from the company perspective. Their research into Chinese investments overseas reveals that companies lack the skills and experience to engage with communities, yet investment sustainability depends significantly on strengthened community impact. One answer lies in corporate partnerships with NGOs, both those from host countries and from China. Yao adds that government policy guidance and financial support can further enhance this win-win partnership and deliver optimal results for the BRI.

In this connection, CFPA's Abu Ushar case study becomes relevant for two reasons. First, it presents an emerging model of Chinese SSC — one where Chinese business, government, NGO, and partner-country interests coalesce. Second, as China literally bulldozes its way across Africa and Asia with the BRI, such complementary community initiatives will become critical in balancing the social, economic, and political objectives of the program. The Abu Ushar case study honestly presents the hiccups and challenges of implementation, but offers hope that upon careful review, they will provide lessons for future collaborations.

To cite another example: without its partnership with a community-based Indian NGO, Drishtee, Ricoh India would not have gained the access and trust of village-based women entrepreneurs. Nor would it have anticipated the market opportunities that these small businesses presented. The experience has influenced the company's attitude and practice in corporate social responsibility (CSR) and shared-value creation.

Fourth, Asian companies have begun to shift their concepts of cooperation, transitioning from CSR to shared-value approaches. CSR in Asia rarely goes beyond philanthropy, nor do activities intrinsically connect to business operations (Debroux, 2017). The chapters in this volume demonstrate a gradual sea-change in this status quo, as companies move beyond cash and in-kind donations towards solutions with a positive social and business impact. Jeon's LG case study demonstrates how the company has decompartmentalized CSR, involving diverse departments in the development of target-market social solutions that also integrate company product lines. She also describes how the company has increasingly incorporated ethical practices into its procurement and manufacturing.

AirAsia Foundation has developed a customized social program that leverages the company's assets, such as its extensive air and passenger network and communication channels, in support of Asian social enterprises. According to Yap, these investments have paid off for AirAsia, both in terms of embedding a culture of social responsibility into its business practices and by adding unique social-enterprise products to its customer offerings.

Cisco's Women Rock IT (WRIT) program starts with a global challenge: women's underrepresentation in the information-technology (IT) sector. Cisco's investment in India is long-term and strategic, and starts by promoting women's interest in IT prior to offering skill development. While a high percentage of CSR is short-term and one-off, Cisco's vision and planning demonstrates a calculated investment in positive social impact and down-the-road business value for the company.

Lastly, the creation of this volume started with knowledge-sharing dialogues among Asian NGOs and private companies, in which they presented, debated, and deliberated their respective approaches to development cooperation, and garnered lessons from the experience of others. Several authors advocate increasing such opportunities for NGOs and companies to learn from and collaborate with others. Yao encourages Chinese NGOs, relatively new to internationalization, to learn from international NGOs in areas such as organizational structure, policy frameworks, project management, and transnational affairs management. Lu's case study demonstrates how international NGOs such as The Asia Foundation can facilitate this exchange by sharing international networks, best practices, and their own lessons and experiences. At present, these collaborative exchanges remain rare, suggesting a greater potential scope for enabling organizations — such as the Korea Development Institute, the Asia Foundation, and others — to build bridges of knowledge and cooperation.

The transformational potential of Asian-led SSC extends beyond the state and beyond aid. Mega-infrastructure investment projects, such as the BRI, loom large on the global development horizon, producing both excitement for the connectivity they promise and fear about potential harmful social and environmental impacts. Collaborative Asian partnerships between government, civil society, and the private sector can improve the quality of Asian SSC, the better to address and avert these challenges. This volume highlights some of these opportunities, and advocates for reform, policies, and practices that will usher in an era of more sustainable and accountable Asian development cooperation.

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