

**Dr Carol Adelman**  
**“Emerging Economies: the changing landscape  
in foreign aid, giving, and investment”**

**Launch of the 2013 *Index of Global Philanthropy and Remittances***  
The Economic Club of Canada | September 26, 2013, Ottawa

**Jean Lebel**

**President, International Development Research Centre (IDRC)**

I’m delighted to be here to introduce Carol Adelman. Carol is the Director of the Center for Global Prosperity at the Hudson Institute. And she is the author of their flagship publication, the *Index of Global Philanthropy and Remittances*.

For eight years the *Index* has documented the enormous amount of public and private giving that flows from donor countries to the developing world. It has been widely cited in major publications. I’ve seen references in the *Economist*, *Newsweek*, as well as in *Foreign Affairs*. The numbers provided have changed our understanding of international giving.

As you might expect, the donor countries at the focus of the *Index* have always been the developed countries of the OECD. But this year, Carol's organization and IDRC joined together to do something that had never been done before: document the giving of the new group of donors — the emerging economies of Brazil, India, China, and South Africa.

This is a project of great importance for us at IDRC. We are, as you are probably aware, a Crown corporation. We align with and contribute to Canada’s international development efforts. IDRC funds research to solve practical problems, to find ways to improve food security and health, innovate through science, safeguard the environment, support more democratic governance, and promote growth, all of this with the perspective and ultimate goal of reducing poverty in the regions and the countries where we are active.

These are large challenges on a global scale, so we are serious about partnerships. We need to leverage the funding that we are receiving from Canadian taxpayer money, for greater impact. We must also understand the changing landscape in foreign aid, private giving, and investments. Donors in the emerging economies are now giving more, and they have an increasing interest in South-South cooperation. But until now, we believe, nobody had done a serious study of these new patterns of philanthropy. And we knew that nobody was better qualified to do it than Carol and her team. They are acknowledged as world leaders in this kind of research.

We also knew that their particular expertise lies in the key role of the private sector in international development. This resonates with us at IDRC. Any project that we fund may have successful results, but that in itself is not enough, and I could not put more emphasis, that it’s not enough. Results have to be scaled up to benefit significant numbers of people, and the private sector has the resources to do that.

Let me give you an example from Africa. In one of the joint programs that we're running with the Department of Foreign Affairs, Trade and Development, in Ethiopia, Canadian public funds for research have supported the development of improved seeds in the agricultural sector. These seeds have directly reached 600 farmers in one project. Private enterprise is now working to produce and sell these seeds, so the potential is multiplied many times. In one year of production, private producers have shown that they can supply improved seeds to 3,000 farmers — in one year. This will translate into food security for hundreds of thousands of people. Working with the private sector expands Canada's public investment exponentially and ultimately saves lives.

Carol Adelman and her team are logical partners for us. We are proud to have funded some of the first research into the rise of the emerging economies as donors. And we're glad to have Carol here today to launch the resulting report. ... She is one of the world's leading experts and writers in a number of fields: economic development, foreign aid, and global philanthropy. She is president of an executive leadership training company that uses Shakespeare, I think, as the basis of its training — that's for another conversation and another day probably. She also teaches at the Wharton Business School at the University of Pennsylvania. Carol is a member of the Council on Foreign Relations and a board member of the Atlantic Council and Freedom House. She served as vice-chair of a bipartisan commission to reform American foreign aid some years ago. And before she came to the Hudson Institute she had a brilliant career with the U.S. Agency for International Development.

I'm really delighted to welcome a remarkable, distinguished speaker. Carol, it's a pleasure to introduce you and welcome you to the Economic Club in Ottawa but also to IDRC — Dr. Carol Adelman.

## **Carol Adelman**

**Senior Fellow and Director, Center for Global Prosperity at the Hudson Institute**

Thank you, Jean. That's such a gracious introduction and I couldn't be happier to be here. ... It is very important to get results out, and we've always believed that with our *Index*. We're not doing research just to put it on a shelf. ... I started in government, and worked in Africa and travelled all over to African countries, and I'd always seen NGOs at work, and foundations, and I recognized their value. I didn't really recognize the strength of what they were doing until I came back to aid in the late 1980s in the last year of the Reagan administration and the first year of the Bush I administration and was a presidential appointee overseeing our aid to Asia, the Middle East, and Eastern Europe when the Wall fell.

When the Wall fell, I'll never forget going to Albania for the first time. This was the last Stalinist dictatorship. There were 200 cars in Albania at the time that we went in. They were still using ether in the hospitals. Our plane on landing almost hit a goat. So it was very, very underdeveloped. And I remember talking with President [Sali] Berisha then, and he said, "You know, Carol, we have a democratic head, we have a democratic heart, but we have a Bolshevik body. We need to develop the private sector. We will be judged by the windows in our shops." And it made a big impression on me, having worked in government aid — and, of course, seeing the trials and tribulations of government aid, which, at least in our case, does not do a very good job of evaluating what they're doing, not looking at impacts, looking more at inputs, how much money you give rather than what the results are.

So then I had the honour to meet Mother Teresa, because we were sending in a food shipment of meals ready to eat during their food crisis. She was actually Albanian but born in Macedonia. And she was carrying a child with a club foot, and I went up to her and said, “Mother Teresa, this is a rare opportunity. We’re here, we have funds to give to Albania. What’s the most important thing? What should we do?” And she said to me, “Get them jobs. The people must have jobs.”

So I decided she was on our side, too, on the private sector. And hence we really developed a very different program in Eastern Europe, which was some of the first partnerships that had been developed at AID. And we started the Global Development Alliance, where big companies could come in, bring their projects to AID, and AID could work with them and help introduce them to markets and areas where they could get their projects going.

This has been an exciting journey for me, and I started measuring the aid, as Jean said. The reason I started measuring the aid is I wanted to find out how much is going on out there. Because as Lord Kelvin, the British physicist, said, “If you cannot measure it, you cannot improve it.” We measure government aid — the OECD looks very carefully at government aid but there was no measure out there. So when I started measuring it, I was quite amazed to find out that it far exceeded the government aid.

And then I realized it wasn’t just about the numbers. It was when we started looking at what types of projects were going on — because every one of our *Indexes* for the last eight years features not just the numbers, but many of the success stories, both by corporations, foundations, individuals, NGOs, religious organizations — which would surprise you very much, what they’re doing in the field of the private sector. That’s when I started the *Index*.

And then, we had been rolling along, doing the DAC<sup>1</sup> donors in the developed countries, when David<sup>2</sup> and I met, and David suggested this wonderful idea of moving into the emerging economies. This was really exciting. There’s a lot of interest in Washington, D.C., on this. This is really our first launch, here in Ottawa, but we’re going to be doing another launch in Brazil sometime in November, and we’ll also be doing a launch in Washington, D.C. And there’s already been a lot of interest from the embassies, the State Department, and foreign aid agencies in doing this. We’re looking forward to that, and I thank IDRC for this opportunity to do it.

I’m going to be showing you numbers. And I think if you get in your mind, what we’re going to be looking at here is a “total economic engagement” with the developing world — not just looking at government aid but looking at everything, in order to see what’s going on in the developing world, and why it’s changed and how. Government aid is, of course, still playing an important role, but it’s going to need to adjust its mission and vision from what the data says.

A little bit of background. We’re going to look at how private flows from the developed countries — and the numbers I’m going to show you also now include our emerging economies — how they came to dominate the developed countries’ relationships with poor countries. Quite simply, it was because the

---

<sup>1</sup> Development Assistance Committee of the Organisation for Economic Co-operation and Development

<sup>2</sup> David Schwartz, Director, Donor Partnerships Division at IDRC

developing countries had changed, and many of them were becoming emerging economies. And this is how they changed. It's important to know this background before I jump into the numbers.

One, an increase in open markets and open societies. The number of democracies has increased, the number of countries that are categorized as free has increased. The economic growth has increased in the developing world. Eighty countries have doubled their per capita growth in the 2000s versus only 12 in the 1990s. Even in Africa the growth rate has been 5%, and African countries have been some of the fastest-growing countries of the top 10.

The second point is demographic and social transitions. A lot of immigration has occurred, where migrants from developing countries come to the United States and work and send remittances back. I want to say a word about remittances, because when we started the *Index*, we were criticized, and people were saying to me, You can't say that remittances are government aid and you can't say that it's private aid. It's really just families sending money to families.

And I said, Well, the point is, whatever you call it — because I don't want to call it anything, I want to call it just remittances — whatever you call it, it is the second-largest financial flow after private capital investment from developed countries, and including the emerging economies, to the developing world. So it's a very important flow. And in fact, everybody — from Tony Blair to Jeff Sachs to New York Times editorials — say it's one of the greatest poverty-reduction agents in the world.

Very creative ways of working with remittances have happened, too, where different foundations have worked in the States (and you probably have them here in Canada, too) with hometown associations of migrants who come together and do fundraising and send this money back to the village where they came from to build roads and clinics and schools. Remittances have also been used to improve the credit rating of countries, because this is foreign exchange coming into their countries. There are also exciting projects where remittances that people in developing countries receive can be used as collateral for loans. There's a whole area to be looking at with this huge multi-billion-dollar financial flow.

There has also been, in terms of social transition, an increase in the middle class in the developing world — right now, about 2.6 billion and that is projected to increase to 3.6 billion by 2030. And middle class means more people with money, with ability to handle problems, to start foundations, to do philanthropy, and take care of local problems.

The third transition is that we have many more billionaires today, and they're becoming billionaires at an earlier age than our original billionaires. Andrew Carnegie started his foundation when he was 54, at a later age, so he had less time to give away his money. Jeff Skoll was 34 when he started his foundation. Bill Gates was 38. So these billionaires have a longer time to give, so they're going to be giving a larger amount. I think there will be a paradigm shift over the next 10 years, in the amount of philanthropy that is out there with these trends going on. There will be more and more resources to use, and the gap that we're seeing already between government and private giving will be larger.

The third point — the growth in private philanthropy, which I've been talking about, in the developing world — is really just a simple point, that there are now major new streams of money in the developing

world that were not there in the 1950s at the time of the Marshall Plan. In fact, at the time of the Marshall Plan there was some private investment in Europe, but it was minimal. There was very little non-profit. In fact, that's one of the reasons CARE, the NGO, started, because the Marshall Plan was really just working on getting countries money to import the goods they needed, and people were worried that they weren't paying enough attention to the health, welfare, and social needs of the people. That whole situation has changed now. As one of my friends said, It's not your mother and father's non-profit world any more or foreign aid world any more. It has changed so much.

And the fourth point is just when we know a lot about expanded knowledge and demand through technology, and that is TV, radio, cellphones (that have been called the Industrial Revolution of the developing world), the Internet, global giving — ways of giving that are done faster, more efficiently, with 10% overhead through grants — “Twestivals,” where you can give money through Twitter, that have been already occurring more frequently in developing countries.

Probably the biggest influence, though, are the tens of millions of students from overseas that study here, in Canada and the United States, and have gone back to their country and they know best practices and there is a demand for these best practices. That has also led to the kind of knowledge, the empowerment through knowledge, which has helped these developing countries become emerging economies.

This chart is an important one, and this is going to give you in numbers what Jean was telling you about. We're not going to spend a long time on this, but I want you to look at the chart on the left. First of all, it starts in 1992 and goes over to 2011. And this represents all the flows that have gone to the developing world from both government and private sources.

The yellow line on the left is a combination of the three major private flows: private capital investment, remittances, and private philanthropy. The purple line is government aid. You can see that back in 1992, those two lines were pretty much the same. And if you actually followed that chart back to the 1980s and 1970s, those lines crossed and the ratio was reversed 40 years ago. As you can see here, the vast engagement that the developed world, and now including some of the emerging economies, has with poor countries is through private flows. In fact, that comes out to \$680 billion of all private flows, and \$138 billion of government, and that comes out to about an 83% private and 17% government flow.

Now the chart on the right breaks those flows into — the red line is private capital investment and the green line is remittances — as you can see, the second-largest private flow to the developing world. The purple is government aid and the bottom line is philanthropy, at \$59 billion. We know that that philanthropy number is way underestimated. We were the first ones to start measuring it. We now have good numbers for many of the developed countries but Homi Kharas at the Brookings Institution feels that that number may come up to be very close to the actual government aid number. But that will remain to be seen as we continue measuring the aid.

That yellow on the top is essentially showing us that these are all the private flows going into the developing world. So it means that this reflects the people in the developing world who are receiving these private funds. Who are these people? They're entrepreneurs, they're business people, they're

people who are creating foundations. They're individuals. It's a very positive role, to show how the developing world has improved. These numbers explain the statistics that we're getting. One of the most important ones is that the developing world has already reached the most important Millennium Development Goal of reducing poverty by half by 2015. This was a year ago that they already reached that, and this is why. The numbers help you understand this.

We'll go on to the next slide. We'll start with Canada. We put your numbers together for 2011. We put your official development assistance there, at \$5.5 billion, which is 20% of your total economic engagement. Your philanthropy is \$2 billion and your remittances are \$14.9 billion. Canada sends the second-largest amount of remittances of any other country. The United States is first because we have such a large population, but you exceed every other developed country. And then your private capital flows. So your mix of total economic engagement is about 20% from your government and 80% from your private flows — which, when you average that out with other countries, that's about the same.

The U.S. is 11% official development assistance and 89% is through private flows, which basically reflects the culture of the United States, where we've always given more, even when we give domestically, we give more through private institutions. So it's not surprising that that same culture is reflected in our international giving as well.

The next chart — these are our results from emerging economies. I encourage you to read the *Index* because we have a lot more data on the background of their philanthropy, what they're doing, what the issues are, what the regulations are, how they're changing. I'm just going to give you a little summary here.

If you go to the chart where it says total and look down at the bottom, the total economic engagement of just these four emerging economies is \$106 billion with the developing world. If you look at the private capital flows right above that, most of the countries have most of their economic engagement with the developing world through private investment. Remittances are also very high — not as high as Canada, but they also have many migrants living in their countries who are sending money back as well.

The private philanthropy is much harder to measure but we got a start on it, and we certainly know what they need to do now better. We've worked with some wonderful partners. IDRC was very good at making sure that we did this and helping us find these partners. And we have wonderful partners who are very excited to continue this and do better and improve it.

These are our overall conclusions on the emerging economy research. Some of these were quite amazing to me. The first is that over 95% of the financial flows to developing countries is private from the emerging economies, with less than 5% government aid, which is probably not so surprising. It's hard for them to spend their government funds on overseas poverty when in fact in India they have 33% of poor people in the world. That's more understandable. But the biggest chunk is in private capital investment, so that's where they're focusing now.

The second one, private financial flows to developing countries are \$103 billion. This, I think, is the most amazing. Just these four countries represent 15% of all the money going from developed and emerging economies to the developing world. So imagine if we were to measure the other emerging economies,

like Turkey, Mexico, and others. It would be quite a shock, I think, to a lot of European countries to realize that they may well indeed come up to 50% of what the developed countries have been giving to the developing world.

Corporate philanthropy is increasing. The younger generation is stepping up to the plate. One study we used a lot was from INSEAD, which is the school where they found that a much higher percentage of the younger generation is giving global to global philanthropy versus the generation before them.

And then also, most interesting, is the bottom point, that some philanthropic innovations are bypassing traditional philanthropy. Now what does that mean? If you read in the *Index*, Brazil is doing a lot of overt social entrepreneurship projects, where they are allowing either non-profit or for-profit companies to invest money, make a profit, become sustainable, but still for social causes.

We feature in this year's *Index* some really interesting projects. One is Greenpop in South Africa and one is the Hippo Water Roller, which is a social enterprise that has developed water cans that allow an African woman — because they do all the water gathering — to roll 24 gallons of water and easily roll that, versus the 12 to 20 kilograms they used to be able to carry in one long journey. So they are selling these [in developed countries, as watering cans], and making money that way, which allows them through volunteers and other fundraising to distribute them free to 40 countries in Africa. This is a South African social entrepreneurship, philanthropic project.

So in some respects we always say the developing world bypassed the post and telecommunications when the cellphone came in. And I feel like, in this way, everyone we talk to, our partners, feel that they are going to be moving away from the “give a man a fish or teach a man to fish” much more quickly because of the needs of their countries and the new technology that is around to do it.

This is one on remittances that I want to show you — and you can see that Canada is there, you're the fourth country down in this list, it's alphabetized, and you have \$14.9 billion in remittances going on. You're higher than any other country [other than the United States].

I think that also poses some interesting opportunities for — and I think IDRC is visionary; IDRC is looking into the future — what are the new ways of giving? What are the changes? Here's an interesting one to look at, with all the remittances going out. What are ways of maybe partnering with some of these remittances that are going back to development projects. There's no question that these projects are carefully supervised and money is getting in the hands of the right people in these countries that are getting them. So that might be an interesting area to look at.

We're getting to a few conclusions, before questions. I see in this new landscape of global private assistance new types of giving that are really going beyond traditional philanthropy. One is cause-related marketing — that's when you buy a cup of coffee and a percentage is going to a rainforest in Latin America somewhere. Or Product Red or MAC Cosmetics — a very interesting foundation that is using percentages of their sales as well for AIDS programs in Africa. E-philanthropy and mobile phones, which we all pretty well know about, that are letting philanthropy go more efficiently, more quickly, and more transparently. Public-private partnerships, which are now in full array and a lot of government aid programs are doing them, big companies are definitely doing them.

And remittances, which I mentioned before, and then a whole slew of new financial mechanisms that are out there, that are very exciting, including impact investing — I know IDRC is beginning to work with that. It's a very new field. It started in England, in the UK, as a way of reducing prison recidivism rates by allowing investors to lower the risk for investments, and investors will get paid back only if it's successful. We have a whole piece on impact investing, which if you're interested in the topic you can read it in this year's *Index*. Social enterprises, program-related investments by foundations — whole new mechanisms even in the world of private philanthropy that are out there and are ones that we're looking at.

I have some forecasts of where I think private giving is going and I think ultimately government aid. But I want to preface this by saying there was a professor at the University of California at Berkeley, Philip Tetlock, who did an amazing study on expert predictions, expert forecasts. He looked at 24,000 predictions by experts and discovered that only 287 of them came anywhere near close to what the prediction was. My favourites were: Thomas Watson in 1958, chair of IBM, said: "I think there is a world market for about five computers." That was *that* prediction. And then, this will surprise you, some years later, Bill Gates — this was before he was a multi-billionaire — predicted "640K of memory out to be enough for anyone." I'm sure he hates to hear that one.

So these are mine, with all of those caveats in place. I think the old approach, in both government and originally in private aid, was donors and recipients, and it's now partnerships. It's now working with people on an equal basis, and considering it's a partnership where everybody brings something to the table. It was originally top-down planning, and this I know from my own experience with [US]AID. I would sit in Paris at the OECD meetings, and I'd be sitting with the Germans and the French, and we would be deciding what the health sector for Ghana was going to be — and maybe they'd invite the Minister of Health in from Ghana, or maybe not. I always remember saying, Shouldn't he be here, at this meeting? "Well, no, we have to talk first."

That top-down planning now is definitely changing to the democratization of voice. My good friend Denis Whittle, who started Global Giving, which is one of the many Internet giving programs, says that the democratization of voice means that there are a lot of "ordinary Oprahs" out there, who can give small amounts and take part in this giving and have an involvement. In that sense, it's the opposite of Bill Gates' challenge to billionaires, because so much more money is coming from individuals in small ways. This has been really a revolution in the United States.

The old approach used to be: It's all about the dollars, and the exit strategy of anybody working in the field was to request another grant or to request a cheque. And now it's all about engaged leadership. The younger donors, in particular, are much more interested in hands-on — they want to be involved. And they want to make it work, too. They want to make it sustainable so they don't have to go back and ask for other grants.

The last one is corporate social responsibility. Even that is changing, to a concept called shared value, which a lot of big companies are doing — Hewlett-Packard, Johnson & Johnson, Unilever, IBM, Intel — where it isn't an obligation to do philanthropy, it is a value to the shareholders and a value to the communities and the customers in their countries. Hence, they're getting involved with all kinds of

community education, helping suppliers — for Nestlé in Ghana, helping suppliers from the coffee growers improve their products. This is the new wave in corporate philanthropy.

The last thing is loyalty to institutions. It used to be that people would only give to CARE, or only give to Save the Children, and now it's more of a loyalty to fixing problems, to solving it, and moving on.

My second to final chart is: What does this mean for governments? They're now a minority shareholder. Government aid is still very important for many things — particularly disaster relief, development in conflict areas, after crises, and real political instability and government chaos. But what's its role given this changed nature of the developing world and most dramatically illustrated by the emerging economies?

One, I think government aid has to be more flexible now for diverse and changing problems. We in the United States are locked into legislative mandates, which insist that we give all of our aid to certain health problems that are really less problematic. The case I'm thinking of is that it's very difficult to get anybody to do anything on chronic diseases, non-communicable diseases, which are really affecting the working-age population, with much higher death rates than any of the infectious diseases. People are stuck in these silos of earmarks.

Second, competition for demand-driven ideas, where aid agencies need to act more like foundations. Instead of writing up projects and looking for long-lasting contracts, they need to be going out to the world and saying, "Come to us with your ideas, come to us with your successful private projects underway, and let's see if that fits into the areas that we believe are important and let us leverage that."

And third is partnership, co-investment, and peer-to-peer relationships. And by that I mean that the government aid dollar should never be the only dollar on the table. Whoever you're working with should have "skin in the game," as we say in sports. And in most cases, government aid should be a minority shareholder and we really need to get qualified peers together. So many of our aid projects in the U.S. are implemented by big consulting firms, where you may have a person going out and teaching a whole country hospital management, and they've never managed a hospital. We need to get the real experts together, which is what we did in our Eastern European program.

And finally, transparency, efficiency, and results. I'll just give you one quick example here. Dennis Whittle at Global Giving said, How are you doing with the transparency issue? What's going on? Anybody can go visit a project that's funded on the Internet. So, he said, we had a project where individual people were donating to Madam Mwanza in Nigeria, who was growing organic eggs. And a farmer in Kansas, who was an expert on organic eggs, wrote to her and said, "You're doing it wrong. They're not going to be as good." She was posting pictures and he was reading what she was doing. And he said: "I'm not going to give to you anymore unless you change it." And she said: "I'm not going to change it."

So he took his money away from her and he gave it to Madam Ngula in Tanzania, who was doing it the right way. And pretty soon, Dennis told me, in a matter of a couple of weeks, Madam Mwanza and Madam Ngula and the Kansas farmer were all in an Internet conversation on how to grow organic eggs.

And I was thinking, in all my years of managing, for a while \$4 billion at AID, would we ever have had that kind of transparency, knowledge of the results, interaction with experts? There are a lot of opportunities and a lot of lessons for government aid here as well.

New forms of evaluation — right now it's pathetic. It's really terrible the way aid agencies do not measure what they're doing and looking at impact. It's always about the amount of money going in. And as Bill Easterly said, "You never judge a movie by how much it cost to have it made. You judge it on: Is it good? Do people like it?" And I think that's true, and I think we've gotten stuck in that. And so it has to be a lot more, and there are a lot more creative ways of evaluation, which we have done and others have done, which if anybody's interested in, I'll talk about.

Final thing is, and this is something for Canada. The chart on the left is the net government assistance as a percentage of GNI [Gross National Income]. If you look on the left, you'll see that Canada is in the bottom half, and your percentage is .34, and that puts you kind of low. The United States is way low, as you can see, because we have such a large GNI, so we're always at the bottom of that measure.

So what we did was, we took what Canada's ODA, remittances, and philanthropy were, and we then took that as a percentage of your GNI — and you are Number 2, if you remember nothing else from this talk. This can help you understand this "total economic engagement." In fact, a lot of countries are now beginning to put these numbers together. Japan came to us and they're using our methodology for measuring all these. They'd only been submitting \$500 million, but they found out their private philanthropy was more like \$4 billion.

On that positive note, a final message to leave you with is that, to me, this explains it all: Compassion is the work of a nation, not just a government. And that's what our "total economic engagement" approach takes, and I think there are lessons for both sides to learn from one another.

## Q&A

**Q:** From your work, do you have any information you can share on in what way are these changing philanthropists influencing public policy, and to what extent especially are private investors shaping their philanthropy based on the lessons that have been learned from the many years of the post-World War II investments that have been made through the aid community? How is one influencing the policies and the practices of the other?

**A:** What I find interesting is that our State Department has really changed because of looking at these numbers. They now have a U.S. State Department working group, and every embassy is going to have a foreign service officer with a philanthropy portfolio. They're going to be providing advice, helping with the legal and regulatory, when they need advice on tax policies in developing countries. I think that's been a great influence.

**Q:** To what extent are private investors drawing on the lessons of the past, you may say, because we know that it worked in that industry? There are a lot of things that did not work, but there are also some lessons. The most common one would be the concern we hear reflected, that the private sector

brings a top-down, traditional trickle-down approach, that if you get the macroeconomics and the trade policies right, the benefits will reach the others. So we want to know when we come from that side of the experience, to what extent are those lessons being taken up or considered as private philanthropists decide how they are going to conduct themselves in this arena?

**A:** I've seen a sea change, even over the last 10 years, with big companies going from corporate social responsibility to shared value to realizing that they need to support communities and help people around them in their companies, and that to me is the biggest change.

**Q:** Thank you very much, a very interesting talk, and I really look forward to drilling down a bit more on some of the numbers you presented. One thing I wanted to focus on, and I'm glad you brought it up, because I think it needs a lot more attention, is remittance. I'm not as surprised as some, perhaps, around remittance, because of the makeup of our country. I can tell you — and I'm a Member of Parliament for this community here in Ottawa — many of my constituents send money back home.

I'm wanting to know a little bit about how to measure the efficacy of that transaction — because, as you know, it's one thing to capture the data and it's interesting to see that data and very important to look at. But then it's another thing to break open the data and say, OK, how is this money affecting things on the ground — particularly when I'm looking at the effects of sending money to women. As we know, women on the ground are the ones, in most of these countries, who are trying to get out of poverty and develop. Women are the agents of change. Who's getting that money, and just a little bit more about how we can measure remittances.

**A:** Excellent point, and it's in the early stages. The Inter-American Development Bank has done the most work on it. They've done fascinating surveys and they've found that the majority of the money is sent to women. And they've also found that a certain percent goes to beer and bull rings. But they have drilled down into that in a study a little while back. But more of those need to be done. I think the IDB did it because of the large amount of remittances going to Mexico — we send Mexico the most.

We do know another thing. We think that about 20% of all the remittances going back, at least in the U.S., are put together for projects in villages. In other words, they're going back to a health clinic, or a road or something, and so they have measured, and some of those projects are being measured. They're being measured, I'm sure, because the migrants here would cut off the money if they found any corruption, because they're travelling back and forth and all of that. But that would be an interesting project to look at. It's very important.

**Q:** As someone who works in the Canadian development program, I'm very excited by the idea of our pot being larger than the number that's lower down. My question is, do you have any examples of how we make the sum of those individual parts something that can work together? So if we do have private philanthropy alongside the aid, are there examples of where they're actually working jointly? You mentioned the embassies targeting this as a particular issue to follow, and we know of some partnerships. But, in your mind, are there any very good examples of where, as a whole, a nation is working on an issue?

**A:** I think it's starting, but it's not quite there yet, because this new fact, the data, is just out there now. It's starting in AID — they have a Global Development Alliance program where companies come in and then sometimes that will be companies, foundations, and the government. They've done a very good job of measuring and looking at it. But it's really very much in the early stages. We do have some examples, if you feel like reading more examples, which might be of interest, our *Indexes* are available for free online at [www.global-prosperity.org](http://www.global-prosperity.org). You can download them for free, and we have a lot of examples of where different entities are working together, so that may give you some ideas.

**Q:** This could just be a question about math. From your figures, it seems that about 85% or so of the 15% is private capital investment, one would assume that that's in one way or another tied to the global supply chain. And, if that's the case, then you've surely got the winners and losers in terms of where that investment is going, because that's the majority of the investment anyway. So, in that context, very broadly in the developing world, did you find that in fact there are resource-rich countries perhaps that have something to offer to the supply chain that are the winners and others that are not — maybe are now subject to a double whammy because this trend would suggest that private sector is the way to go?

**A:** Let's say 80-20, even though it's a little different than that. The 80% consists of capital investment, remittances, and philanthropy, so that total 80% is not just the private capital investment. Then the 20% is government aid. If you're referring to the fact that most private capital investment goes to the richer and better-off developing countries, that is correct. That's all changing now too, obviously, with China coming into the game and doing a lot of private capital investment in Africa, as well as Brazil, too.

I haven't looked recently — and we'll do that, I think, in the next *Index* — to see exactly now how much private capital investment is going into the developing countries. It's a lot more than it used to be. It used to be about five or six — this was 10 years ago — were getting most of the private capital aid, but now that it's much more, it has broadened out now. And we do know remittances are going all over and largely to a lot of the poorest countries, because the migrants are coming from them in order to have opportunities.

**Q:** There's one question via Twitter, and that person asks: India's new Companies Act legally requires 2% of average net profits to go to corporate social responsibility. What are the potential consequences of this?

**A:** That's interesting. I haven't seen that law, so I don't know if it's all companies, or not. I generally am less on the regulatory side. I'm more on the bottom-up, voluntary, collaborative regulation than a command-and-control regulation, so I would not probably do that. Although I think the Indian companies have a very developed NGO sector and the Tata companies, the Indian companies that are giving have really led the way. The problem is that they have a very cumbersome and expensive way of making it hard to send money across the borders. But inside India, my feeling is that's something I wouldn't regulate. I'd look to see how much they're giving now and see how that could be encouraged through collaboration and goodwill.