

# **Seminar on Capacity Development and Institutional Change in International Development Cooperation**

## *Record of Discussions*

**July 17<sup>th</sup>, 2008**

**10:00-10:15**

### **◆Opening Remarks**

- Professor Satoshi Amako, Dean of the Graduate School of Asia Pacific Studies, Waseda University

I hope this seminar about CD can contribute to further studies for solutions in many issues, such as HR or environment, that required to built a strong network in Asia.

- Mr. Hiroshi Kato, Director-General, Institute for International Cooperation, Japan International Cooperation Agency (JICA)

There are two points that this topic is important: First, CD is widely discussed among international development communities, especially since it was emphasized in Paris Declaration in 2003. Japan should also join the worldly discussion. Second, Japan straightly imported European's interpretation of CD. There is a need to conceptualize CD and aid within our own before JICA and JBIC merged together.

- Mr. Hiroto Arakawa, Executive Director, JBIC Institute, Japan Bank for International Cooperation

It is important to study how MDGS will be achieved through qualitative and quantitative approach of development aid. Especially for aid effectiveness for developing countries to come out from poverty, a discussion about institutions related with CD is very much important in this symposium.

- Mr. Hiroshi Sato, Director General, Research Promotion Department, Institute of Developing Economies – Japan External Trade Organization (IDE-JETRO)

CD and IC are becoming very important topics recently. I hope this seminar can focus on the two: CD and the new JICA. IDE-JETRO is tied to some particular government agencies, which differentiate us with other research agencies. We want IDE-JETRO to make progress in academics as other agencies, and I see we need to cooperate with JICA and JBIC.

**10:55-13:00**

**Session 1: The Capacity Development and Institutional Change : Concept and Theory**

**Moderator: Professor Keiichi Tango, Saitama University & Waseda University**

**1.1 Professor Shunji Matsuoka, Waseda University**

**“Capacity Development and Institutional Change in International Development and Aid”**

## **1.2 Mr. Hiroshi Kato, JICA**

### **“Capacity Development and Japanese Technical Cooperation”**

## **1.3 Ms. Heather Baser, Consultant, Ex-ECDPM**

### **“Capacity Development and Change Management: from Predictability to Unpredictability”**

[Comments: Prof. Yanagihara]

To Prof. Matsuoka: The program presents an overall package consisting of: the relationship between social actors, the input resources—their quantity and timing, and the institutional changes.

The program is defined as a program involving three actors (government, firms, and citizens) and three factors (policy and measure, human and organizations, and knowledge and technology). Institutions for the “macro/micro loop” connected to the macro and micro play an important role and fulfill important functions.

To Mr. Kato: JICA did find the concept of CD useful as a framework against which to review its operations from a wider perspective that was new to Japanese aid practitioners. (Steady efforts have been made to evaluate and reflect on its own operations from the CD perspective.

To Ms. Heather Baser: Many of the factors that shape the process of capacity development – the structures, the patterns of authority and the cultural norms – are part of the informal and hidden institutional system. The nature of the interplay between the overt and the hidden and the formal and the informal is a major determinant of the effectiveness of any effort to develop capacity

[Comments: Mr. Sato]

I found no strong necessity to adopt the concepts of both CD and IC throughout the presentations. What are the relationships between CD and empowerment? If there were a difference between CD as English and as Japanese, there is a big possibility that public may misunderstand the meanings of CD.

### **Answers to Commentators**

[Professor Shunji Matsuoka]

About half of my presentation was related to discussions by UNDP and JICA’s, and these issues of CD are related with many other areas. We are aware of what matters in CD. We feel that the matters of CD and IC are inter-related, practical, effective and convincing together. This is the reason for us to do this seminar. There are also certain issues related to Social Science.

To what extent can we conceptualize and make a theory on CD? I believe we have been discussing CD only recently in the past 10 years, and the discussions have not matured yet. We have lacked a driving force to discuss about it. There have been discussions over the past 20 years that this represents new institutionalism. There are however certain restrictions in market mechanisms to understand the concept. We have to think about the legitimacy, appropriateness and effectiveness of CD. We may have to discuss separately between CD and IC. IC is only one element of CD, and also one process of CD.

[Mr. Hiroshi Kato]

Most of what has been said by the commentators is correct, but there are also some points which are not true. We have to look into the reasons for these problems. As Mr. Sato mentioned, “Capacity Development”, which is the term used in Japan for Capacity Development, cannot explain the internationally used meaning of Capacity Development. For example, according to what proposed by Professor Yanagihara, Capacity Development is about injection rate, infant death rate, and other performances, however this is the concept of Sustainable Development. CD is also related to injection rates, infant birth rates, and other performance measures. CD is also about Sustainable Development. With regards to Technical Cooperation, some kind of system should be introduced.

[Ms. Heather Baser]

I have just one comment on the formulas presented by one of the commentators – one should also include in the formulas the context of the country which we are working in. For example, the context in Japan is different from the context in Africa or in the Western world.

## **Discussion**

[Question]

The merger of JICA and JBIC is very timely and will be very effective in terms of finance and technological cooperation. What would the role of other development agencies such as ADBI be in CD? There is also a rumor of the UNU planning to hold a global symposium with 34 countries. What is their role in CD?

[Prof. Matsuoka]

Regarding to ADB and WB, I believe they will participate a role in ‘lending money’ in CD efforts. As far as UNU is concerned, which has its headquarters in Japan, I am not entirely sure about what kind of role they will have, but there is already an effort to establish a Graduate School in UNU. I believe they are planning to gather countries to discuss on aid, global warming and many other issues. UNU is also concerned about CD, and we would want to work together with them.

CD is about social ability. This is different from the definition by UNDP. CD can be distributed down to the individual levels. There are institutions, and also relationship between individuals and institutions. They have interactions between Capacity Development and Social Development. There are certain capacities not specified as individual. Social Macro Capacity is about institutional level related. There must be interdependency between Social Capacity and Macro Capacity. Unless we adopt such approaches, it is difficult to solve this issue.

**14:00-17:30**

## **Session2: Capacity Development in the Development Process and Institutional Change**

**Moderator: Mr. Hitoshi Shoji, JBIC**

### **2.1 Professor Fumihiko Saito, Ryukoku University**

**“Going beyond the Buzzwords of Decentralization and Local Governance Reform”**

[Comments: Ms. Kuwajima]

I have ever discussed about a concept of CD with Mr. Kato, but its concept is still unclear. I think that the concept of CD can't utilize into project yet. We need to focus on specific examples to discuss. Prof. Saito shows a good example of CD concept by focusing the interdependence among institutions, governance, and CD.

## **2.2 Mr. Atsushi Matachi, JICA**

### **“Capacity Development in the Education Sector and Institutions”**

[Comments: Prof. Kuroda]

The case study, which Mr. Matachi introduced in his presentation, must be a significant milestone of JICA project. It is regarded as a good example when the project was started to conduct. However I wonder the case study can be a model of JICA projects because it was depended an individual leader who has a long experience. I don't think that the case study can widely be applied to other contexts.

## **2.3 Professor Kyosuke Kurita, Waseda University**

### **“How do the Institutions Effect on the Achievement of Capacity Development?”**

[Comments: Prof. Eduardo Araral]

My first impression of Prof. Kurita's research paper is that he does not refer to any name of the organization such as World Bank while using many charts. However his research paper develops methodology and describes how the community-building and institution building are affected by the methodology.

## **2.4 Professor Nobuhiko Fuwa, Chiba University**

### **“Assisting the Philippine Government to Complete Agrarian Reform: a Case Study in the Support for Institutional Change through Capacity Development”**

[Comments: Mr. Kimura]

I have four comments on Prof. Fuwa's presentation: field, beneficiary, target, and goal. Those four points have interdependence and also are important to improve political and economical side of agriculture.

## **2.5 Mr. Eiichi Yoshida, IDE-JETRO**

### **“Capacity Building for Local Government's Economic Development Planning: a Case of One Village One Products in Malawi”**

[Comments: Mr. Honda]

As Mr. Yoshida majored in geography, his research focuses on spatial perspectives and describes

importance factors to conduct “One Village One Product” in Malawi. He talks about micro level, but I would like to listen his viewpoint of not only micro level but also macro level. What I’m interested in his research is that JICA started this project at the beginning, but Malawi finally introduced One Village One Product movement by themselves. This movement was not institutionalized yet. However, the project was voluntarily introduced by local people in Malawi.

## **Discussion**

[Prof. Tsunekawa]

The definition of CD that we discussed in the morning, in relation to social, individual and personal aspects, is still vague. In the afternoon, we focused more on sectors or the sectoral approach. However, there is no coordination between the sectors. How do we make CD work in different sectors? I am also wondering whether the models here presented here are applicable or not to other different sectors?

[Prof. Matsuoka]

IC and CD go together. Literature has of course different perspectives. Which ones should we follow that could be applicable? I would like to ask to all the participants; what kind of lesson you learned from your project(s). Please answer based on your presentation and actual experiences.

[Mr. Matachi]

JICA must change and is changing. We have talked about CD the past. We should also go beyond the sectoral approach and also look at the national plan. In the future, after integrating with JBIC, we will devise a new strategy on CD approach. CD is only a part of educational sector. This is the same in other sectors, not only the educational sector. We should include much wider perspectives of CD and include all sectors. Sectors should cooperate with each other for better results.

[Mr. Yoshida]

Institutional process was already explained earlier. However, the African situation is different and the CD process is quite difficult. More capability means more close the individual is to society. In the Philippines, they are trying to share and combine the experiences at institutional, regional and national level.

**July 18<sup>th</sup>, 2008**

**10:00-12:00**

**Session3: Capacity Development and Institutional Change: its Assessment and Impact Evaluation**

**Moderator: Professor Fumihiko Saito, Ryukoku University**

**3.1 Mr. Yoichiro Kimata, Institute for International Cooperation, JICA**

## **“Capacity Assessment for Enhancing Development Effectiveness”**

[Comments: Prof. Kuchiki]

What is justice? For thousands of years, people didn't know what it was about. Like justice, capacity is very philosophical. There are various problems we need to address, but the following are important:

- i. The word ‘capacity development’ - what it means. It is a process. Do we look at the change or the level of capacity? We need to distinguish clearly between the two.
- ii. Dimensions of capacity. He specified three dimensions of capacity – technical, enabling, ..... Is this effective? So, when we talk about the capacity of a country, it could be like the HDI. Could this be effective? But can we leave it as a factor?
- iii. How it relates to international organizations and the difference between input and output. Impact depends on Performance, Performance depends on Impact. Are Impact and Performance measurable? When we have an outcome, we should weigh it and see if it worked well or not. Can we interpret it this way or not? We should elaborate on this point.
- iv. What are the objective functions? For ODA, actions which maximize impact should be taken. While we maximize impact, we need to maximize the capacity. We need to maximize the two variables. Is it included to maximize the capacity?
- v. One of the important things is that problems are solved by countries.

### **Answers to Commentators**

[Mr. Kimata]

With regards to the third question, I wanted to simplify CPI. In simple CPI, you need to think of the environment and the division of labor, measuring impacts on a certain level. The last point the professor mentioned was very important. We should address the issues - drug issues, AIDS issues. We need to eradicate AIDS and drugs, so we need to look at the issues at hand, not the country as a whole.

The Vietnam study is a big project, but with smaller projects, they should maybe take pilot projects. The way we evaluate smaller projects, their impacts, we should take into account internal validity of the project plus the external validity. External validity means that if one project is successful in a small area, it can be successful in other areas. Some projects that are successful in one area are not successful in others. Macro projects are better because we can study the internal validity of projects. Laos and Cambodia are taking similar steps.

### **3.2 Professor Yoshio Wada, National Graduate Institute for Policy Studies**

#### **“Can Foreign Aid Help to Institutionalize Institutional Reform?”**

[Comments: Ms. Heather Baser]

We need to have a closer link with the EU has changed many countries, e.g. with respect to law. Outside assistance has had a considerable impact on activities, for example in Brazil. The

Pan-American Health Organization, for example, helped provide continuity to the project when the government failed. As for the Indonesian case, in rural development projects, we have JICA plus Indonesian authorities. It was done slowly and it worked very well. Incentives and accountabilities were different because the project was small not considered mainstream. JICA worked very closely with Indonesians, which encouraged people to think differently. This created space for experimentation, learning and doing things differently.

Very important though - one problem with the project was that JICA got out of it too quickly. It is important to look at smaller scale projects because there has been too much emphasis on large projects. Small projects can have an impact, because they build on local champions, local accountability, and local achievements. It often takes more time to understand what the context is, the history, power relations and the social relations in the country. Also, smaller projects can bring closer relations between the donor and recipient country. Developing countries tend to have weaker administration, and smaller projects don't put a lot of pressure on the governments. Smaller projects often require fewer investors, encourage innovation and help people to learn from experience.

About ownership, there are six areas that Eric Briederhop talked about: (1) Government initiative (ownership tends to be stronger there: (2) choice of policy/ program; (3) mobilization of stakeholders; (4) public commitment and allocation of resources; (5) continuity of effort; and (6) learning and adaptation. All of the above makes ownership stronger. Ownership is not a stagnant, constant. It requires nurturing, changes with people, places, etc.

### **Answers to Commentators**

[Prof. Wada]

Comparing two data indicators is what economists usually do. Compare the economic variables and institutions, plus country specific characteristics and IT will be added. Usually you use ICRD indexes, and country rating, plus experience index. Growth is also calculated. GDP growth is captured, too. KK Index, Marshall and JICA, Political system - all these indexes can be obtained through websites.

The most problematic area is that for a country with a high economic growth, the country rating is higher. Instrumental variables are necessary, and then all are regressed. How to produce this capacity index is similar to the index used today. How can the variables be inter-related? In terms of the ranking, some are determined and have issues of endogeneity. This is a potential research area.

### **3.3 Professor Katsuya Tanaka, Shiga University**

#### **“Sustainability and Environmental Management Capacity in Asian Countries: Efficiency-based Indicator Development”**

[Comments: Prof. Wada]

My comment is about endogenous or exogenous. The indigenous variable and capacity performance have to be structured in a special model, otherwise it is difficult to see to what extent it had an impact on performance.

## **Discussion**

[Prof. Matsuoka]

To Mr. Kimata - We wanted to study constitution capacity. Now we are trying to understand. There are too many factors, but we have to and we want to look at various factors between institutions and the environment. We may detach capacity and institutional change, and go back to the original discussion of capacity development. Will you be using this? In the future, capacity assessment, will it be used in program management? Is it for the creation of the program?

To Prof. Wada - On capacity institution, the nominal level in Vietnam is macroscopic. If you think about the capacity, do you think Vietnam has the capacity? Is it decentralized or fragmented? Is it integrate with the external? If you can come up with the performance, do you think that capacity development was already in place there? Between the macro and micro loop, does macro work well or not? Does it depend on interactions with the micro point?

To Prof. Tanaka - If institutional change is included in your research, the research would be much valuable for the seminar.

[Mr. Kimata]

If you incorporate institutions as variables, how are we going to make diagnosis of capacity, and whose capacity is it that we are trying to access – governmental or individual? We will have to undertake a different process. The relations between government and society, when talking about knowledge, will it be individual knowledge, or societal knowledge?

Because it is indigenous, are we not going to do anything because it is external? These things that are external need to be internalized, and that is an important point of capacity development. We are going to involve people who make institutions, so when we make capacity development or capacity development support, we should capture better results. But for capacity assessment, is it going to be done within JICA? Researchers will do the announcing, this is not for the sake of research itself, but JICA will make it into a project or a program, but it has not been used yet. It has already been incorporated, partly, but not in a systematic way. So, the new JICA needs to work out how to implement and harmonize, to make a good proposal. The planning department of the new JICA should try to incorporate it.

There are two things that are nominal systems - whether Vietnam has capacity or not, and when it comes to these issues, internal or external. If they can develop, needless to say, capacity is internal. So, whether from the very beginning, Vietnam was capable of doing this, many people said that Vietnam had the capacity. It was a strong commitment on the side of the country. Micro mechanism has been well established in Vietnam, as well as the relations between micro and macro.

Even though it is made up of macro ones, as I was talking with Professor Araral, there is hyper inflation in Vietnam because of the autonomous public institutions. No one can put them under control. After 1980s, when everything went out of control, government offices just did as they pleased, each in their own way.



[Prof. Wada]

Institutional change, how is it going to be captured as an indicator? This was not incorporated into my study. Institutional change to be given as a variable, there were some indicators that were presupposed, I need to incorporate them into my studies. Capacity determines institutions and institutions also determine capacity, so it's difficult to put an answer to independent variables. These are the systems and institutions that need to be captured with data. I want to incorporate this into my study. JICA will use capacity development with its own programs, programs of developing nations, and build capacity assessment.

[Prof. Tanaka]

I agree with Prof. Matsuoka, but it is hard to include “institutional change” as valuable. In order to solve this problem, I will continue to study the relationships between capacity development and institutional change.

**13:00-17:00**

#### **Session4: Capacity Development and Institutional Change in Development Cooperation**

**Moderator: Professor Shunji Matsuoka, Waseda University**

##### **4.1 Professor Yasuyuki Sawada, Faculty of Economics, The University of Tokyo**

**“On the Role of Technical Cooperation in International Technology Transfers”**

[Comments: Prof. Tanaka]

His presentation can be criticized if we examine it in details, but as a whole his research is excellent because it measured the effectiveness of TC. I wonder if you have divided the data into short-term and long-term.

[Prof. Sawada]

I think it is important to divide the data into short-term and long-term. It is on the process.

##### **4.2 Professor Satoko Miwa, Ibaraki University**

**“Capacity Development: From Concept to Operation: Lessons Learned from a Global Study on Effective Technical Cooperation for Capacity Development”**

[Comments: Prof. Saito]

What is the difference between CD and TC? Does CD obligate TC? It may be narrow question, though - how to elevate CD to partnership among multi-sectors, in the context of poor governance system in developing countries? Roles and responsibility of government is limiting over time and they are being more facilitator than actor. In this context, what could be the CD approach for the facilitator?

How do the learning at different levels connect with each other so that gaining nexus? How can the external world help towards organizational learning and Institutional Change? In fact,

institutional change is a trial and error process.

[Prof. Miwa]

I know it is not clear. CD and TC are not equal. We discussed CD in the perspective of a developing country. In the new context too, of course, CD is crucial to develop the government as a good facilitator. However, CD is not limited to public sector, it include private sector as well. Donors provide TC to private companies too. The outside world can facilitate to change institutions in many ways.

#### **4.3 Mr. Kotaro Tanaka, JBIC**

##### **“Capacity Development and Institutional Change in Indian Water Sector”**

[Comments: Prof. Akifumi Kuchiki, Nihon University]

Change is development. Human capital is changed by aid. We have to look into more detail as much as possible. Endogeneity has to be scaled up. Why we cannot touch the issue of endogeneity? Human is considered as capital; no holistic approach to human being. Why?

[Comments: Prof. Matsuoka]

TC efficiency is also the target point of CD. But we have to go beyond TC, considering loan as expecting new JICA. Public awareness is very low. It is one of the major problems when applying a new approach.

#### **4.4 Professor Koichi Takase, Waseda University**

##### **“Structural ODA and Capacity Development Expenditures from Japan”**

[Comments: Mr. Yoichiro Kimata, JBIC]

If cross tabulation was used in the research, the results would be interesting. The parts that the category is large shows quantity will increase. I think there is no balance of the category. Therefore I have a couple of questions in the categories. How about number of projects? Did you count synergy as a program?

How did you measure each actor in the category?

[Prof. Takase]

I thought this is a legitimate idea, so people who have economic background will oppose. In the formula as you saw, I cannot manufacture anything if a single variable in the formula is zero. None of them are zero, so they will be synergy effect. I did suffer to find it, and tried to find what level has been done for water project. It is closely related with firm evaluations. It is not always related with the CD. There are effective capital amount, which is visible labor and capacity.

#### **4.5 Mr. Izuru Kimura, JBIC**

## **“Policy-level Improvement and Institutionalization of Field-level Trials: Achievement of Third Elementary Education Project (TEEP) in the Philippines”**

[Comments: Mr. Atsushi Matachi, JICA]

I think that JBIC is much different from JICA because the approach is comprehensive. However important points are common to JBIC and JICA. Through school based management, voluntary approach is one of the important things when the results are in visible. How about does SBM cost when it makes sustainable? What methodology did you use to improve local people’s ownership?

[Mr. Kimura]

Ownership was mentioned earlier. Primary education has a strong sense of ownership. The Philippines government has invested heavily into education. They even have loans for education. We have mechanism to support the projects. Minimum package SBM includes leadership training, etc. This program includes school and community. The school based management is the result of both JBIC and World Bank studies.

### **4.6 Professor Eduardo Araral, National University of Singapore**

#### **“Time to Rethink Technical Aid: 80:20 Principle of Building Governance Capacity”**

[Comments: Prof. Nobuhiko Hanazato, Nagoya University]

In Indonesia, training is not regarded as training because it is hard to give explicit directions from people on the line in the training you mentioned. Knowledge is divided into two parts: formal knowledge and tacit knowledge. We cannot make light of tacit knowledge. How is the tacit knowledge treated? Also we need to focus on not only CD of developing countries, but also CD of donor countries. Does JICA have an ability to cope with such an issue? The laboratories need to make an achievement to solve the serious problems, not working for their own studies.

[Prof. Araral]

With regards to the ODA field, how to evaluate training should not be something for people outside the field. Key words – explicit knowledge or tacit knowledge. Defining CD requires tacit knowledge. Without this, it will lead us to no where. We have to manage tacit knowledge. That is the goal but it failed in JICA. How are we going to grasp and manage tacit knowledge? It is related to overall capacity. As a practitioner, the donor’s capacity should be paid attention to. Foreign ministry, JICA, JBIC and scholars need to grasp tacit knowledge. The strength of JICA people management and skills is lower than 5 years ago. The number of projects increased, but size of agency decreased. I wonder if JICA can handle CD. Capability of JICA needs to be look at. There is no clear overseas message from JICA to international community, not from Japan to the international community. JICA capability dame! We are not ready for CD! Reality is far from the issue of discussion. What is the identity of JICA? Public interest is low. Ordinary people have no interest. We have to be keen.

Tacit knowledge and informal knowledge will be the key in the future. Individual, society,

organizations and institutions – all require new tacit knowledge. Tacit means explicit knowledge. How do we achieve this? Research institutions should be clear about their projects. Developed countries should have clear dreams and goals. Japan, at the moment, has no idea. Do not be like that. I hope the institute can send their own message. Truly ideal aid agency is world class agency.

**17:00-17:10**

**◆ Closing Session**

**Closing Address: Prof. Shunji Matsuoka, Waseda University**

This seminar on CD and IC was planned because JICA and JBIC were working on this, but there was a lack of exchange with academics. There has to be space to change knowledge to practice. Academics have neglected practitioners, and vice versa. There is a strong need for a formula for CD and study the link between CD and IC. CD should be expanded to other areas and there should be a program based approach based on CD. This should be organized and aligned to a development-based approach.

The new JICA will become the largest aid organization in the world, with the World Bank as the second biggest. JICA will be mobilized with a new philosophy and new ideas. Such approach will have to give more interest to not only macro, but also how to overcome the macro micro paradox. We must increase our level of tacit knowledge and develop a concrete form of the program. Studies should be continued to discover modern concepts and collect empirical evidence.

This forum will continue to be important, and hopefully we can exchange and share our views more. Special thanks to our two overseas speakers – Ms. Baser and Professor Araral. Thank you to all our speakers. Thank you all.