
Summary of the Report
Towards Capacity Development (CD) of Developing Countries
Based on their Ownership
- Concept of CD, its Definition and its Application in JICA Projects –

1. Capacity Development (CD) of Developing Countries—Summary of the Concept and the Recent Debate

(1) Why Capacity Development Now? (Chapter I, Section 1-2)

During the 1990s, when marked donor fatigue became apparent after the Cold War, it was often argued in the international aid community as to whether development cooperation had actually proven effective in making a difference. In parallel with the rising criticism of the effectiveness of structural adjustment policies thereafter, many donor countries and organizations as well as the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) started to review and evaluate their technical cooperation activities.¹

In its initiative on reforming technical cooperation, the United Nations Development Programme (UNDP) critically addressed this discussion. Its 2002 report pointed out that technical cooperation can actually be detrimental to the capacity of developing countries for a number of reasons: its donor-driven nature deprives the recipients of their ownership and potential; its disproportionate emphasis on improving the abilities of individuals and establishing new systems impairs the sustainability of the results; funding bypassing the recipients' normal budgetary processes distorts their policies; and different administrative and procurement procedures required for each donor increases their cost burden. The report drew the conclusion that technical cooperation should provide a means to support the capacity development (CD) of developing countries and donors should collectively pool funds instead of carrying out projects separately.²

Such criticisms have mainly been directed toward an old type of technical cooperation, which had been adopted by Western donors. It is cited that such cooperation tended to depend upon the dispatch of foreign experts who took over the positions of local experts and the formulation of project implementation units (PIUs) independent of existing organizations. In recent years more and more weight has been placed on recipient-driven development, partnership and alignment to ensure relevancy with respect to the recipients' existing systems, as well as a more comprehensive approach incorporating the civil society and the private sector. Japan is also in a position to review and reexamine its own experience and the comparative advantage it has in providing technical cooperation, which has taken a project-based approach.

¹ DAC (1991) *Principles for New Orientations in Technical Cooperation* and many other reviews made by donor countries and agencies.

² UNDP (2002) *Capacity for Development: New Solutions to Old Problems*

The discussion on the concept of CD provides JICA with the perfect opportunity to gain a broader perspective to seek the best way to maximize the effectiveness of cooperation outcomes and ensure their sustainability. JICA could review its project-based approach and its experience of technical cooperation provided to the public organizations of developing countries where JICA has concentrated its assistance. CD also presents a fresh perspective from which to examine the complementarity between JICA's technical cooperation and other modalities in the context of aid harmonization.

(2) Definition and Characteristics of Capacity Development (Chapter I, Section 1-1)

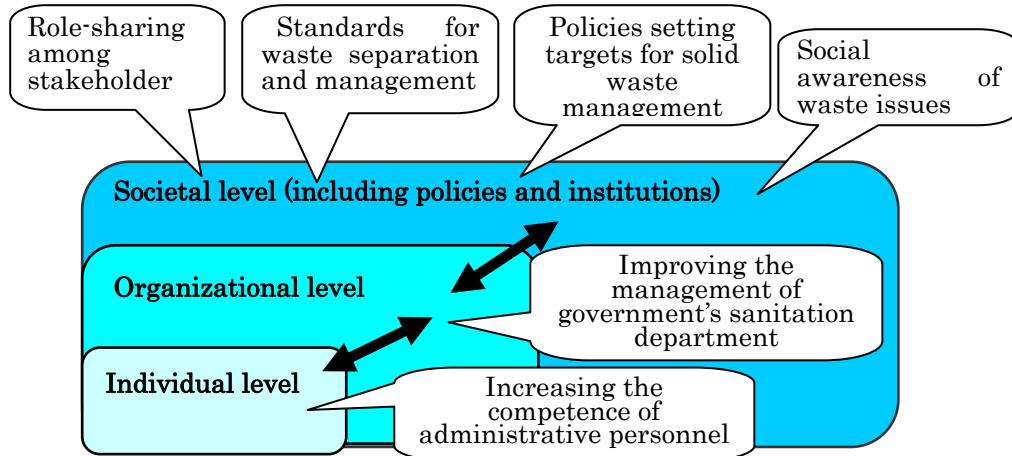
Capacity development (CD) refers to the ongoing process of enhancing the problem-solving abilities of developing countries by taking into account all the factors at the individual, organizational, and societal levels. Defining capacity as the ability of developing countries to solve problems on their own and considering it as a complex of elements including institutions, policies, and social systems, the concept of CD attaches great importance to proactive and endogenous efforts (ownership) on the part of the developing countries.

1) Complexity of Capacity

As the capacity required by developing countries to solve problems on their own is a complex of elements, its analysis must be conducted comprehensively. For example, the capacity required by a large city in a developing country in order to develop a sustainable and effective solid waste management system would not only be limited to the sufficient know-how possessed by the municipal government's sanitation department and its staff, but also extend to various other elements. These include a role-sharing mechanism that involves the private solid waste management sector, communities, citizens, and the government's sanitation department; an institutional setup that determines the standards, including those for waste separation and management, as well as the penalties; policies that set goals, including those for waste reduction; and a society that remains alert and sensitive to the issue of solid waste management.

Technical cooperation, conventionally considered as cooperation for human resources development, has long focused on improving the competence of individuals and organizations in the public sector. However, even if such efforts lead to success, without a mechanism and system enabling the continuation and improvement of such activities in the society, sustainable and effective outcomes cannot be realized. Capacity is formed by the interaction of various elements. Only by recognizing this as a fact and considering the concept of capacity from a broader perspective that transcends the individual and organizational boundaries is it possible to develop suitable strategies, such as which capacity should be given priority for improvement, to what extent is cooperation required, and who covers those areas where no cooperation is provided. The essence of the concept of CD reflects such a comprehensive understanding of capacity.

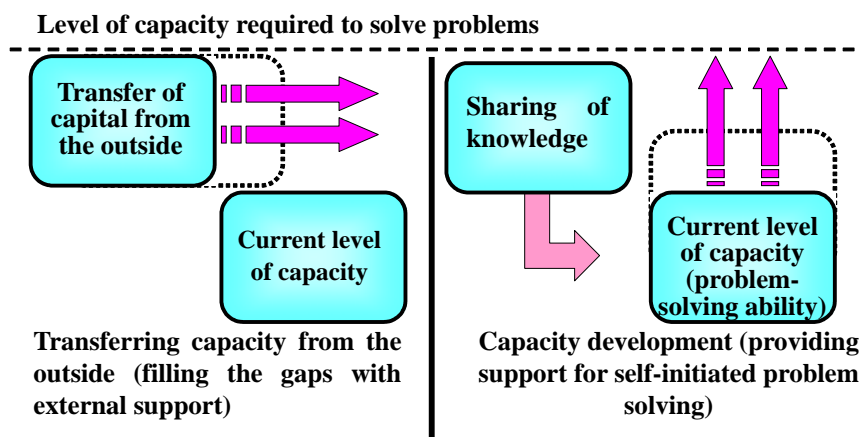
Figure 1



2) Endogeneity of Capacity

Capacity has conventionally been considered as a type of capital that can be invested or transferred as in the case of infrastructures, technologies, and human resources. However, in the concept of CD, capacity is defined as the ability of developing countries to solve problems on their own. Capacity is not simply transferable and its sustainability is largely dependent on the initiative and ownership of the developing countries involved (see Figure 2). With this in mind, it can be said that, instead of merely filling the gaps with systems designed in developed countries, the type of aid called for is one that fulfills the needs of developing countries in a catalytic way and facilitates their endogenous efforts, such as knowledge sharing that facilitates decision-making and actions based on the initiative of the developing countries. Some of the key elements that are critical in promoting the CD of developing countries are *ownership*, an *enabling environment* (with favorable policy and regulatory frameworks), *incentives*, and *leadership*. Donors are required to remain sensitive to the need for an understanding of the current status of each element and figuring out the most effective way of facilitating their improvement.

Figure 2



Reference

Technology transfer, which has been central to JICA projects and programs, was intended not just to inject technologies from the outside but to achieve technological adoption and diffusion among the recipient countries. However, JICA's activities that had mainly involved the training of individual counterparts tended to put too great an emphasis on transferring Japanese technology. CD is fundamentally different from *capacity building*, a term often used within JICA to describe a type of cooperation project that focuses on the development of human resources and the functional improvement of counterpart institutions. Unlike capacity building, CD is a process that the developing countries undertake, rather than an action taken by aid donors. The concept of CD suggests a facilitator's role for aid donors.

2. Findings from the Analysis of JICA Projects (Chapter II)

With regards to 'the possible entry points' (see Reference Document 2) that JICA should consider in initiating effective CD support in developing countries, there are three different options: (i) *local society empowerment*, which designates a specific spatial area such as a community or local society to which CD support is provided; (ii) *core function development*, which promotes human resources development, technological diffusion and R&D mainly in government operational sections; and (iii) *policy and institution development*, which involves the formulation, application, and improvement of the regulatory system or institutions, and specific policies that should be broadly applied, such as on a national level. Furthermore, recognizing that CD is a process requiring spontaneity on the part of developing countries, there are three significant aspects: nurturing a sense of ownership of the recipient countries; increasing the incentives for recipient countries; and ensuring the proper acquisition of knowledge. Based on the perceptions provided above, the following four cases of cooperation projects, all with different backgrounds and approaches, were analyzed. As a result, three findings were obtained.

JICA cooperation projects for which a case analysis was conducted

- (i) *Core function development* for a teacher training system: Projects on the training of science and mathematics teachers (Philippines, Kenya, and Ghana)
- (ii) *Core function development* and *local society empowerment* observed in participatory rural development: Sokoine University of Agriculture, Centre for Sustainable Rural Development (SCSRD) project in Tanzania
- (iii) Transition from *core function development* to *local society empowerment*, and to *institution development*: Small-scale irrigation projects in Ghana
- (iv) Pilot experience of capacity assessment: Waste management sector

Three findings

- (1) In order to increase the sustainability of the results, it is important to first identify the capacity required by the recipient country to achieve the overall goal, as well as the elements of capacity where their series of improvements are a priority. In doing so, JICA

and its partner country should project the desirable course of action for the country to acquire such capacity, and then clarify the role and positioning of JICA's cooperation in such efforts.

- (2) Developing the capacity required to solve problems reflected in the overall goal in a sustainable and integrated manner requires a long period of time for arrangements, such as building a collaborative relationship among stakeholders and institutionalizing a system experimented on as a pilot case. Therefore, it is important to think in terms of a program-oriented approach in selecting and combining different activities under the long-term vision. It also becomes necessary to identify potential risks and external environment factors, address them consciously in the program, and take appropriate measures for implementation.
- (3) Aid providers that support problem-solving ability (capacity) are to remain as facilitators, making efforts to help seek the most acceptable and sustainable system and boost the ownership of partner countries as well as provide incentives that encourage their self-initiated actions.

3. JICA's Definition of CD and the Direction for the Improvement of its Technical Cooperation (Chapter I, Section 1-4; Chapter III, Section 3-1)

As mentioned previously, the concept of CD suggests to JICA a facilitator's role in enhancing the endogenous problem-solving abilities of developing countries from a comprehensive standpoint. Based on the concept, looking beyond its focus on support for self-help efforts and human resources development, JICA can redefine its technical cooperation as follows:

- **The objective of JICA's technical cooperation is to support 'the ongoing process of enhancing the problem-solving abilities,' that is CD, of developing countries by taking into account all the factors at the individual, organizational, and societal levels.**
- **JICA should adhere to the role of a facilitator that indirectly supports the CD of developing countries.**

It is important for JICA as a CD facilitator to implement a strategic form of cooperation through an understanding of the current capacity of developing countries. A significant factor in this is to accumulate its institutional experience and know-how in enhancing the endogenous capacity of the partner countries. Based on the concept of CD, the direction for improving JICA's aid management is summarized below.

(1) Aid Management Based on a Comprehensive Approach

1) Comprehensive Understanding of Capacity and the Development of a Strategic Scenario for CD (Chapter III, Section 3-2)

- A comprehensive capacity assessment should be conducted to draw a feasible cooperation scenario for each problem. The assessment consists of three major steps: (i) understand the current level of capacity; (ii) identify the elements of capacity required to solve the problem;

and then (iii) develop a possible cooperation scenario, which takes into account the priorities of capacity which should be developed (entry points), the course of action, steps to be taken, and the time frame. Accordingly, JICA's cooperation should be strategically positioned within the entire CD framework of a developing country after clarifying the required capacity as well as the course of action to attain such capacity.

- When conducting an assessment to comprehensively understand capacity and develop a strategic scenario, it is useful to prepare a capacity checklist for each sub-sector so that JICA can work according to a standardized format. A capacity checklist can be obtained by first identifying and summarizing the elements of capacity according to the main stakeholders and relevant policies and institutions in the sub-sector. A pilot capacity assessment is currently under progress in the field of waste management, and is also being applied to areas of environmental management. Such a checklist will be an effective tool for the counterpart personnel to better understand the current situation and to help raise their awareness of the problems.

2) Flexible Management through a Program-Oriented Approach (Chapter III, Section 3-3)

- It is necessary to look beyond the traditional human resources development assistance and provide indirect support that encourages the establishment of a mechanism, institution, and policies necessary to continue and enhance individual and organizational activities. Attaining the overall goal has conventionally been left in the hands of the developing countries at project completion. However, in order to ensure that the changes brought about by cooperation are firmly established as sustainable systems, or the results of empowerment take root in the local society and are applied in other regions, it becomes essential to consider JICA's assistance as an organic component that is synchronized and harmonized with other projects and funding, support by other donors, and the initiatives of the developing countries themselves, which altogether constitute a program designed to achieve the overall goal.

- Various types of programs are possible. Instead of seeking a solution to specific development challenges only within the boundaries of JICA projects or Japan's cooperation, it is necessary to utilize aid coordination frameworks. After identifying the area of capacity that needs improvement, JICA's should link its projects with a local development program and sector program, and take a program-oriented approach to decide how to coordinate other donors as well as the self-help efforts of the recipient countries in order to implement a successful development program.

- Although management of assistance is to be based on each project, in order to make the above harmonization possible, outcomes should be considered in a medium- to long-term framework since the aim is to provide medium- to long-term assistance for the implementation of the recipients' development program. For this reason, it is important to identify the various risk factors that influence the outcome of medium- to long-term cooperation, such as support from other donors, efforts by the recipient countries themselves, the institutional setup, and relationships with stakeholders. Therefore, project management needs to be done with greater flexibility. If there are major and unexpected changes to the overall situation surrounding the project, certain aspects of the project should be redesigned, or in case of more serious changes, project implementation should be suspended or terminated to allow the development of a new scheme, or the entire program should be reconstructed altogether.

(2) Role of Aid Providers as CD Facilitators

1) Setting Progress Indicators of CD

- In order to monitor the progress of CD, appropriate indicators need to be set. The areas of capacity to be improved should be clearly defined by taking into account the proposed attitudinal changes of the counterpart personnel and the main recipients of development efforts, as well as organizations, institutions, and the society. In conducting an effective assessment, referring to a pilot case of waste management may be useful.

- In order to achieve the set CD objective, it is important to break down the necessary steps and clarify the key factors, such as the targeted outcome, the process and course of action to attain such an outcome, and the risks involved. Sharing such information will be vital in facilitating communication among the stakeholders. Using a checklist through capacity assessment as described in (1) above for monitoring purposes will also be beneficial.

2) Sharing Know-how to Facilitate the CD Process

- In accordance with the principles of conduct for experts, consultants, and JICA staff, through activities involved in the processes of consensus building and consultation, project/program formulation, planning and management, and evaluation, aid providers should strive to accumulate and share the know-how to help developing countries raise their awareness and motivation to solve problems. Considerable experience should have already been accumulated through the trial and error process of problem-solving between local counterparts and Japanese experts.

- Lessons learned and findings made through activities devoted to helping developing countries employ an autonomous funding mechanism and encouraging their self-help efforts for the enhancement of CD should be accumulated and applied in future cooperation projects.

4. Future Challenges for the Improvement of JICA Projects

(1) Improving the Methodology for Project Management including Capacity Assessment

In the course of making practical attempts, JICA must fully grasp the current level of capacity possessed by developing countries, work out a methodology in order to develop a strategic cooperation scenario (capacity assessment), and examine the direction of cooperation by taking a program-oriented approach at the field level. In addition, to ensure flexible project management, an effective decision-making process, such as that for risk management and project design adjustment, must be devised and proper indicators to monitor the CD progress in projects must be reviewed. These issues are to be discussed and studied further in the related research projects at JICA's Institute for International Cooperation (IFIC).

(2) Flexible Project Management with a Program-Oriented Approach

JICA must review and redefine its cooperation programs. It is necessary to draw a general picture of the programs by considering such factors as the duration of the entire

program, the time period for assessing the current situation and conducting preparatory activities, and the level of detail in the programs at the time of formulation. Based on a critical and realistic analysis of selected case studies, JICA must give proper definition to its programs. Especially called for is field-based management centered around JICA overseas offices and ‘the Official Development Assistance (ODA) Task Forces³,’ which should be discussed thoroughly. While looking into actual cases at offices where aid coordination is practiced, it is necessary to clearly define the roles of office staff and experts.

(3) Sharing of Know-How and Accumulation of Experience as Facilitators

The know-how in facilitating self-initiated CD efforts and flexible management can be systemized and accumulated within the organization by summarizing case studies of actual cooperation projects and past project experiences. The sectoral departments, issue-wise task forces, and the research group of JICA need to enhance project analysis, share the results, and diffuse them in the form of training materials for JICA staff and experts.

³ ODA Task Forces are comprised of members from the Japanese embassy and overseas offices of JICA, and the Japan Bank for International Cooperation (JBIC) (and the Japan External Trade Organization (JETRO) if an office exists). The ODA Task Force aims to strengthen collaborative efforts for more effective and efficient policy making and implementation of ODA at the field-level. Currently there are nearly 70 Task Forces in developing countries.