

Chapter 2 Contribution to Capacity Development in Developing Countries

Evaluation by Third Party: Thematic Evaluation on Economic Partnership—Social Capacity Development in Trade Sector and Development Assistance—

1 Outline of Evaluation Study

(1) Background and Objectives

Since the 1980's, JICA has implemented technical cooperation in the trade and investment sector, such as "Trade Training Center" projects, which is project-type technical cooperation (currently called technical cooperation project), in Indonesia, Malaysia, the Philippines, and Thailand. In the meantime, the trade and investment environment in East Asia has greatly changed. As mutual dependence in the region deepens, a new way of developing cooperation and independence has been sought. Under such circumstances, JICA feels a growing need for assistance to build institutions necessary for free and efficient competitive markets, enhance balanced economic infrastructure, and strengthen competitiveness in the private sector through reinforcement of economic partnerships.

With this background, JICA commissioned a third party, the Joint Venture of Hiroshima University and Mitsubishi Research Institute, Inc., to comprehensively evaluate assistance in the trade sector from 1980 to 2005 in the four countries mentioned above while reviewing the process of capacity development in each country for the purpose of obtaining lessons and recommendations that will contribute to improvements in JICA's future assistance in the relevant sector for the targeted countries, as well as for other developing countries.

(2) Evaluation Study Period and Team

1) Evaluation Study Period

February 2005 to March 2006. Four field studies were conducted in the targeted four countries, namely Indonesia, Malaysia, the Philippines, and Thailand, during this period.

2) Evaluation Study Team

The evaluation study was supervised by the Office of Evaluation of the Planning and Coordination Department, and commissioned to the Joint Venture of Hiroshima University and Mitsubishi Research Institute, Inc., as an evaluation study by a third party. An Evaluation Study Committee was also set up, consisting of the following evaluation committee members, evaluation advisors, and JICA Economic Development Department, as well as observers from ministries concerned. Evaluation was carried out in compliance with the policies determined by the

Evaluation Study Committee, and surveys, value judgments, and the compilation of the report was undertaken by the Joint Venture as the external evaluators.

[Evaluation Committee Members]

Akifumi Kuchiki, Executive Director, Japan External Trade Organization

Atsushi Suzuki, Senior Coordinator, Planning Department, Japan External Trade Organization

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(3) Scope of Evaluation

Four countries were selected for the evaluation study; namely, Indonesia, Malaysia, the Philippines, and Thailand. Japan not only has had close ties with these countries through trade and investment, but also has provided relatively large-scale input for assistance in the trade and investment sector. The period from 1980 to 2005 was to be evaluated since Japan started various assistance in the trade sector represented by JICA's "Trade Training Center" projects during this period. In addition, this evaluation is mainly targeted at local small and medium-sized enterprises (SMEs) in the manufacturing sector, which had been the main target of JICA's assistance in trade sector during this period. "Trade sector" means direct export-promotion such as trading business, the provision of marketing services for companies, and the establishment of trade-related laws and regulations, as well as response to the recent trend of WTO and Free Trade Agreement (FTA). In addition, assistance for fostering SME/supporting industry is also included in this evaluation scope.

2 Framework of Evaluation

(1) Evaluation Questions

Since JICA's capacity assessment method is still under consideration, the evaluation study adopted social capacity assess-

ment (SCA) as a method to analyze capacity development (CD) in the trade sector of the targeted countries. The SCA method has been developed by the 21st century COE Program of Hiroshima University, “Social Capacity Development for Environmental Management and International Cooperation.” To begin with, social capacity is defined* as the capacity to solve the development issues in each social sector, composed of three actors; the government, the firms, and the citizens, and also comprehensive capacity that includes the interaction of each actor. This evaluation clarifies the overall export capacity of society and its development process through the SCA method. Based on the results, this evaluation analyzes and examines amounts of aid inputs necessary for achieving effective assistance and the degree of contribution to social capacity development by assistance. It should be noted that the contribution to capacity development through partnership with other Japanese aid agencies is also taken into account for the evaluation.

Based on this evaluation framework, we set the following main evaluation question.

Was the series of JICA cooperation centering on the trade sector (such as “Trade Training Center”) in the four targeted countries effective for each country’s trade capacity development? At that time, did JICA consider consistency with recipient’s development and coordination with other donor agencies?

The subquestions of the main evaluation question are as follows.

- a. Have the impacts of JICA’s assistance in the trade sector been appropriate in relation to timing, quantity, quality, and the local government’s policy and input of other donors?
- b. What kinds of relationships were there among social capacity development, social economic situation, and export performance?
- c. How have companies’ export capacities been developed?
- d. How has government’s capacity to promote export been developed?

(2) Evaluation Method

1) Social Capacity Assessment (SCA)

a. Actor-Factor Analysis

Actor analysis deals with the level and condition of social capacity from the standpoint of the condition of capacity and mutual relationships of each social actor (government, export industry, private export service provider). Factor analysis adopts the three factors: (1) capacity to plan and implement policies and measures (policies/measures factors = P factor); (2) human, financial, and physical resources in organization that embody capacity (human, financial, and physical resources in organization = R factor); and (3) knowledge, information, and skills required as the basis for the other factors (knowledge/skills factor = K factor). All

three factors of capacity are necessary to improve performance.

With regard to export capacity of the firms, it was difficult to obtain indicators of three factors for all the four countries throughout the target period. Therefore, we adopted proxy variables for the three factors. First, labor productivity (value added/number of employees) in the manufacturing sector was adopted as a proxy variable for the P factor. Second, the ratio of employment in the manufacturing sector to total employment was adopted as a proxy variable for the R factor. Third, gross enrollment ratio of secondary education** was adopted as a proxy variable for the K factor. With regard to the government, we adopted the following variables for the three factors. First, enactment of relevant legislation such as the export promotion act and the SMEs promotion act, establishment of mid-term plans for export promotion and SMEs development, was adopted as a variable for the P factor. Second, establishment of trade training center, export promotion agency, specialized ministry, and agency for SMEs promotion, and a specialized financial institution for SMEs was adopted as a variable for the R factor. Third, issuance of annual reports by government ministries and agencies in charge of trade, manufacturing, and SMEs was adopted as a variable for the K factor. In addition, with regard to mutual relationships between the government and the private firms, conditions for having dialogues and meetings were also examined.

b. Development Stage Analysis

The development stage of social capacity is divided into the system-making stage, the system-working stage, and the self-management stage, and we seek to make clear at which stage the current social capacity standard is. We also analyze the process leading up to the stage, and the next rational level of the goal of the social capacity and the path leading up to it. Moreover, we construct a prerequisite for clarifying the quality and quantity, timing and sequence of assistance for the program of development policy and aid policy. Specifically, in the development stage analysis for the four countries, transitions from the system-making stage to the system-working stage and from the system-working stage to the self-management stage are shown in the following sections, based on the evaluation of Actor-Factor Analysis (2 actors x 3 factors and their mutual relations).

(3) Social Capacity Development in Trade and Evaluation of JICA’s Assistance

As a viewpoint of evaluation we set two large points: “total evaluation of JICA’s assistance in the field of trade” and “the contribution of JICA’s assistance to social capacity development in the targeted countries.” We decided to analyze both contribution of assistance to social capacity development (in the government sector) and consistency of assistance with social capacity development stages, taking into consideration the importance of grasping the relationship between social capacity development and

* However, when this concept is applied to CD in the trade sector, it is necessary to consider the facts that the role of firms is relatively larger and that of the government and the citizens are more limited in the trade sector than in other development and assistance sectors and that the impact of assistance on development (trade) performance is relatively smaller than it is on other elements, such as foreign exchange.

** (Includes students over school age) Total number of enrollment/school age-population.

aid inputs from multiple perspectives. In particular, it was difficult to obtain detailed data of aid inputs, such as amounts and man-months, dating back to 1980; therefore, we evaluated based on the number of projects in each year*.

From the next section, we explain the result of surveys and analysis in the four countries, namely, Indonesia, Malaysia, the Philippines, and Thailand, using the evaluation framework and methodology mentioned above.

3 Evaluation Analysis

(1) Social Capacity Development in the Four Targeted Countries

The levels of capacity development in 1980 and 2005 and JICA's aid inputs in each country are compared to obtain the contribution of aid input. Here, analysis results of capacity development are shown.

Table 3-6 shows the development of the government's capacity factors. First, "policy/measures factors (P factors: the formulation of medium-to-long-term plan of industry/trade [National Development Plan] and fundamental law and basic plan of export/SME promotion)" have been steadily achieved benchmarks in general. On the other hand, there are gaps between the

Malaysia-Thailand group and Indonesia-Philippine group in the other two factor categories of human, financial, physical resources in organization factors (R factors: the establishment of export-promoting agencies [the establishment of foreign and local offices, SME promoting agencies, and the organizational restructuring adapting to environmental changes]) and knowledge/skills factors (K factors: publication of statistics and white papers on trade and manufacturing, and issuance of annual reports by government ministries and agencies in charge of trade, manufacturing, and SMEs). With regard to the relationships between the government and business (including industrial associations), all four countries have reached a certain level.

With regards to the firms sector, as shown in Table 3-7, Malaysia, Thailand, and Indonesia have achieved a smooth increase in capacity factors; Malaysia has achieved high marks in all three sectors; and Thailand and Indonesia follow in order. On the other hand, the Philippines has had difficulties developing its capacity smoothly, although it was enjoying high performance as of 1981.

Figure 3-2 shows the outlines of the development stage analysis of the process of social capacity development in the trade sector in the four targeted countries based on the analysis in the government and the firms business sectors. All the four targeted

Table 3-6 Social Capacity Development in Trade in the Four Targeted Countries

| Capacity Factors | Check items of Capacity Evaluation | Indonesia | | Malaysia | | Philippines | | Thailand | |
|---|---|-----------|------|----------|------|-------------|------|----------|------|
| | | 1980 | 2005 | 1980 | 2005 | 1980 | 2005 | 1980 | 2005 |
| Policies and measures (P) | Medium and long-term plan-making (National development plan) on industry and trade | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Establishment of basic laws on export promotion | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Establishment of basic laws on SMEs promotion | | ✓ | | | ✓ | | | ✓ |
| | (Relationship between the government and enterprises) Dialogue and meeting between the government and enterprises | | ✓ | | ✓ | ✓ | | | ✓ |
| Human, financial and physical resources in organization (R) | Establishment of export promotion organization | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| | Establishment of overseas office of export promotion organization | ✓ | ✓ | | ✓ | | | ✓ | ✓ |
| | Establishment of SMEs promotion organization | | ✓ | | ✓ | | ✓ | | ✓ |
| | Organizational restructuring adapting to environmental changes | | | | ✓ | | | | ✓ |
| Knowledge and skills (K) | Publication of statistics | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ |
| | Publication of trade white paper | | | | ✓ | | | | |
| | Publication of annual report by export promotion organization | | ✓ | | ✓ | | | | ✓ |

(Note) Cells are checked when items are achieved.

Table 3-7 Social Capacity Development in Trade in the Four Targeted Countries (Capacity of the Business Sector)

| | Policies and Measures (P) (Labor productivity of manufacture industry constant 2000, US\$) | Human, Financial and Physical Resources in Organization (R) (Ratio of employees in manufacture industry to employees in total, %) | Knowledge and Skills (K) (Enrollment rate of secondary education, %) |
|-------------|---|---|---|
| Indonesia | 1,628 (1981) | 8 (1981) | 29 (1980) |
| | 3,932 (2003) | 13 (2002) | 61 (2002) |
| Malaysia | 10,316 (1981) | 15 (1982) | 48 (1980) |
| | 16,935 (2004) | 21 (2004) | 70 (2002) |
| Philippines | 6,754 (1981) | 10 (1981) | 64 (1981) |
| | 6,507 (2004) | 10 (2004) | 84 (2002) |
| Thailand | 4,842 (1981) | 7 (1981) | 29 (1980) |
| | 10,052 (2004) | 15 (2004) | 81 (2002) |

* Although it is desirable to quantify the aid input based on the characteristics of each project, we had no choice but to adopt "the number of projects" due to data limitation. However, input in four countries can be regarded as more similar, compared with developing countries in other regions. We believe that we have been generally successful in evaluating contributions of assistance to capacity development and effectiveness and efficiency of assistance although the analysis based on the number of projects is limited.

countries started the system-making stage in the early to mid 1960s, such as establishment of a legal framework concerning trade promotion and development of responsible governmental agencies. Later, Malaysia and Thailand moved from the system-making stage to the system-working stage in the latter half of the 1980s and in the latter half of the 1990s, respectively. They have been in transition to the self-management stage in the years after 2000, as evidenced by the fact that they have been able to restructure their organization according to the change in environment. On the other hand, Indonesia and the Philippines had already reached the final phase of the system-making stage in the middle of 1990. However, affected by the Asian financial crisis of 1997, Indonesia was set back to the system-making stage and is still in the process of rebuilding its systems. The Philippines lacks government trade promotion capacity, and the productivity of firms has seen sluggish growth. Although the legal framework has been developed, it has not contributed to the actual export performance. Accordingly, it is concluded that the Philippines

remains in the final phase of the system-making stage.

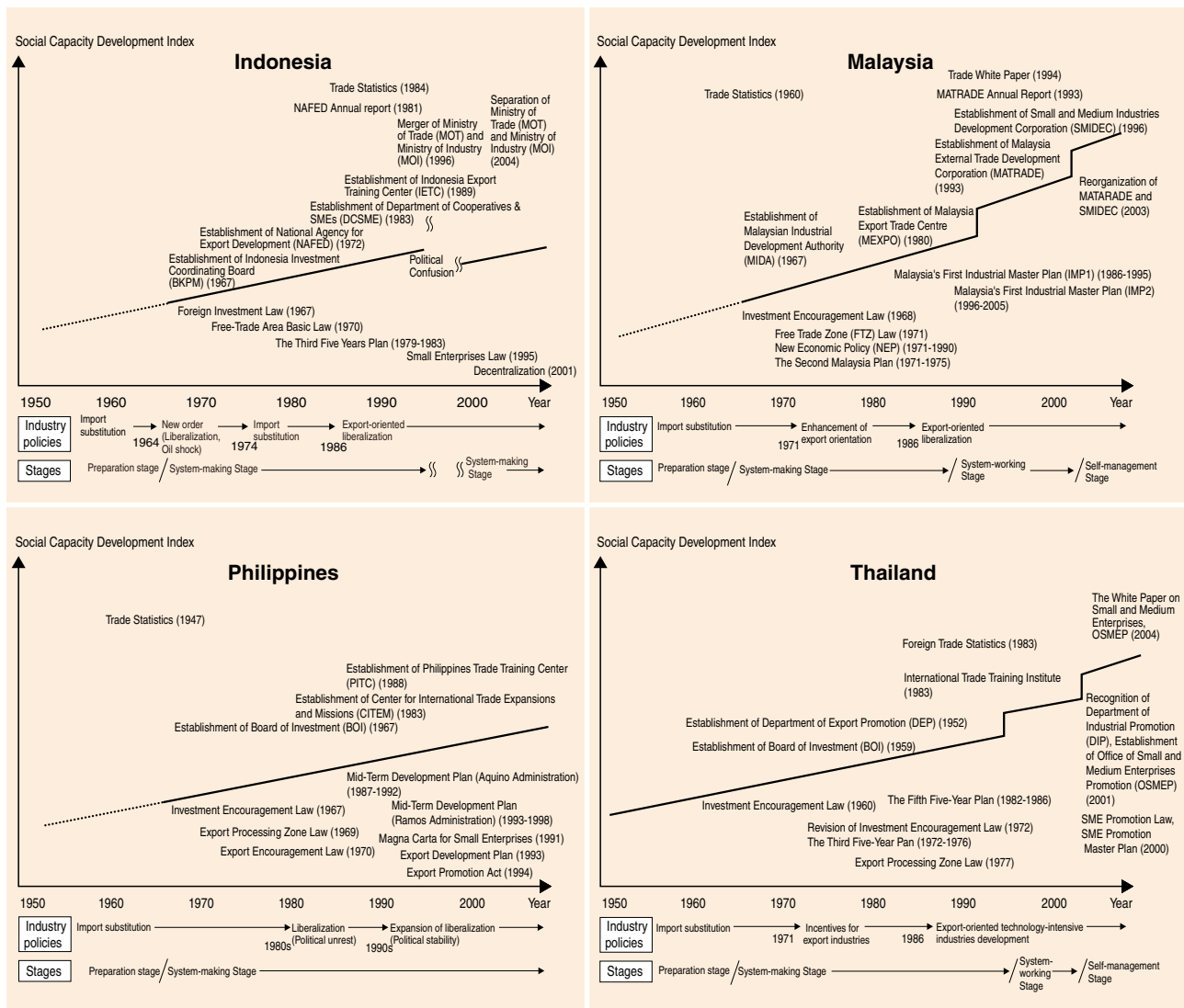
(2) Contribution of JICA's Assistance to the Capacity Development of Each Country

1) Indonesia

a. Contribution of JICA's Assistance to Capacity Development of the Government

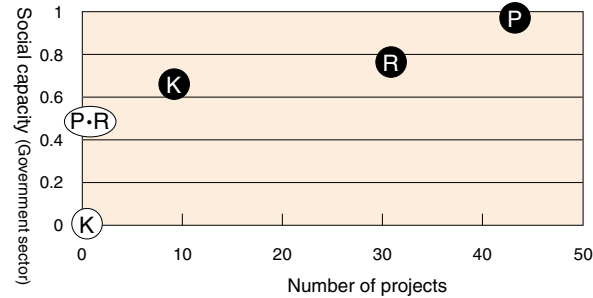
In order to examine the contribution of JICA's assistance to the capacity development of the Indonesian government*, we plotted the number of projects on the horizontal axis and the social capacity (the government) on the vertical axis in Figure 3-3, showing changes by capacity in 1980 and in 2005. The projects are sorted out based on capacity factors and counted in each year (See Table 3-8 for details of the projects). With regard to social capacity (the government), based on the benchmark of achievements, each factor is regarded as being either 1 (achieved) or 0 (not achieved) and the average scores are calculated for each factor category.

Figure 3-2 Social Capacity Development in Trade Sector in Targeted Four Countries



* We focused on the government's export promotion capacity, because JICA's assistance has mainly been input into government sector.

Figure 3-3 Contribution of JICA's Assistance to the Capacity Development of the Indonesian Government



(Notes 1) P indicates policies/measures factors; R indicates human, financial, and physical resources in organization factors; and K indicates knowledge/skills factors.

(Notes 2) ○ indicates the capacity level as of 1980; and ● indicates the capacity level as of 2005

As a result, it turned out that Indonesia has advanced its capacity in the factors where JICA has extended a lot of inputs,

which suggests that JICA's assistance has been effective. The K factors of the Indonesia government have remained at a low level; the growth rate of this factor category is high in spite of the relatively small inputs of JICA's assistance, which suggests that JICA's assistance has been efficient.

b. Consistency of Social Capacity Development Stages with JICA's Assistance

As shown in Table 3-8, in concert with the change to export-oriented industrialization in the mid-1980s, JICA began assistance focused on small and medium-sized enterprises development and industrial development, and also supported the establishment of the trade training center. These inputs would have made a significant contribution to Indonesia's system formulation. As a result of the confusion after the economic crises in 1997 and afterwards, it became necessary to rebuild the system and regain what was lost. For this purpose, JICA implemented various addi-

Table 3-8 JICA's Assistance Inputs in Indonesia by Development Issue

| Capacity Factor | Development Issues | Project Name | System-making Stage | | | | | | | | | | | | | | | |
|--|--|--|---|------|------|------|------|--|--|--|--|--|--|--|--|--|--|--|
| | | | 1980 | 1985 | 1990 | 1995 | 2000 | | | | | | | | | | | |
| Policies and measures (P) | Export-promoting development plan | The Second Phase of the Follow-up on the Development of Supporting Industries in Indonesian Export Promotion | | | | | | | | | | | | | | | | |
| | | Empowerment of Customs System in Indonesia | | | | | | | | | | | | | | | | |
| | Export-promoting development plan | The Capacity Building Program on the Implementation of the WTO Agreements | | | | | | | | | | | | | | | | |
| | | Improvement of Customs Procedures on Special Fields (Intellectual Property Rights) | | | | | | | | | | | | | | | | |
| | | Management of Export Credit Agency | | | | | | | | | | | | | | | | |
| | | Improvement of Trade Environment in Capital Region | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| | Promotion and development of SME's, supporting industry and industry | Project on Promotion of SMEs | | | | | | | | | | | | | | | | |
| | | Industrial Sector Promotion and Development Project | | | | | | | | | | | | | | | | |
| | | Plan-making of Human Resources Development in Skills and Technique Sector | | | | | | | | | | | | | | | | |
| | | Industrial Promotion and Development Plan (Supporting Industry) | | | | | | | | | | | | | | | | |
| | | The First Phase of the Follow-up Study on the Development of Supporting Industries in Indonesian Export | | | | | | | | | | | | | | | | |
| | | Support for SMEs' Promotion | | | | | | | | | | | | | | | | |
| | | Project on Supporting Industries Development for Casting Technology | | | | | | | | | | | | | | | | |
| | | Support for SMEs | | | | | | | | | | | | | | | | |
| | | Enhancement of SMEs Cluster Project | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| Establishment of industry-related legislation | Promotion of Industrial Standardization and Quality Control Projects | | | | | | | | | | | | | | | | | |
| | Industrial Property Rights Administration | | | | | | | | | | | | | | | | | |
| Human, financial, and physical resources in organization (R) | Establishment of trade-related organization, human resources development | Improvement of Trade Procedures Administration Project | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| | Assistance for trade training center | Indonesia Export Training Center (Phase 1) | | | | | | | | | | | | | | | | |
| | | Indonesia Export Training Center (Phase 1 Follow-up) | | | | | | | | | | | | | | | | |
| | | Indonesia Export Training Center (Phase 1 Aftercare) | | | | | | | | | | | | | | | | |
| | | Indonesia Export Training Center (Phase 2) | | | | | | | | | | | | | | | | |
| | | Indonesia Export Training Center (Phase 2 Follow-up) | | | | | | | | | | | | | | | | |
| | | Regional Export Training and Promotion Center | | | | | | | | | | | | | | | | |
| | Promotion of SMEs, supporting industry and industry | Establishment of Metal Processing Promotion Center | | | | | | | | | | | | | | | | |
| | | Establishment of Industrial Technique Information Center Project | | | | | | | | | | | | | | | | |
| | | SMEs' Human Resource Development Project | | | | | | | | | | | | | | | | |
| | | SMEs' Human Resource Development Project (Follow-up) | | | | | | | | | | | | | | | | |
| | Knowledge and skills (K) | Acquisition, analysis and release of trade-related information and skills | Development of Trade Commerce Statistics System | | | | | | | | | | | | | | | |
| | | | Export Promotion (Market Analysis, Development) | | | | | | | | | | | | | | | |
| Industrial Project Development Basic Study (Improvement of Trade Environment in Indonesian capital region) | | | | | | | | | | | | | | | | | | |
| Promotion of Trade, Investment and Industry | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |



Distance training for local areas (Regional Export Training and Promotion Centers in Indonesia)

tional assistance including projects aimed at trade-related legislation, establishment of organization concerned, and human resource development.

Compared to Malaysia and Thailand, social capacity development in Indonesia has not been sufficiently achieved*. Therefore, it is still in the phase where focused capacity development is necessary in order to achieve transition to the system-working stage. Also, as Indonesia has a much larger land mass and population than the other three countries, it would require relatively large inputs. Accordingly, it is necessary for JICA and the international community, as well as Indonesia itself, to invest more resources inputs for capacity development continuously.

On the other hand, it should also be noted that, at the project level, there are successful cases in promoting capacity development such as Indonesian Export Training Center (IETC), which has started from a JICA technical cooperation project and then expanded to operate at local levels on its own, and which is considering starting South-South cooperation towards Africa.

2) Malaysia

a. Contribution of JICA's Assistance to Capacity Development of the Government

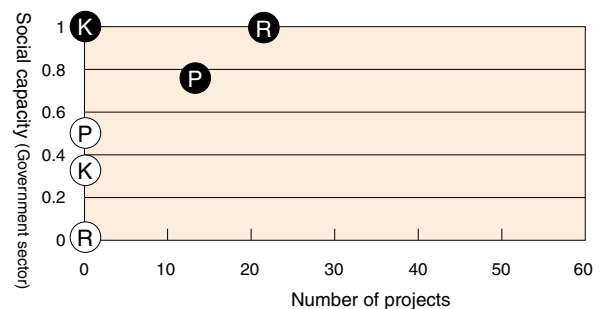
In order to examine the contribution of JICA's assistance to capacity development of the Malaysian government, using the same method as we applied to Indonesia, we plotted the number of projects on the horizontal axis and the social capacity (the

government) on the vertical axis in Figure 3-4, showing changes by capacity in 1980 and in 2005. The number of projects, as shown in Table 3-9, is the total number of projects in each year based on the categories in accordance with relevant capacity factors. As a result, it suggests that Malaysia has smoothly developed its social capacity despite relatively small aid inputs from JICA. It is assumed that Malaysia itself has had strong ownership and led its capacity development on its own; therefore, development assistance has been extended at a minimum level required.

b. Consistency of Social Capacity Development Stages with JICA's Assistance

As shown in Table 3-9, from the system-making stage to the system-working stage in Malaysia, JICA implemented projects for industrial promotion including SMEs and supporting industries. During the transitional period from the system-working stage to the self-management stage, JICA provided support related to the trade sector such as assistance to the Malaysia External Trade Development Corporation (MATRADE) and WTO capacity building projects. This process of assistance indicates that various project inputs were sequentially implemented. As Malaysia's level of capacity development has shifted to the self-management stage, JICA considers supporting South-South coop-

Figure 3-4 Contribution of JICA's Assistance to Capacity Development of the Malaysian Government



(Notes 1) P indicates policies/measures factors; R indicates human, financial, and physical resources in organization factors; and K indicates knowledge/skills factors.

(Notes 2) ○ indicates the capacity level as of 1980; and ● indicates the capacity level as of 2005.

Table 3-9 JICA's Assistance Inputs in Malaysia by Development Issue

| Capacity Factor | Development Issues | Project Name | System-making Stage | | | System-working Stage | | Self-management Stage | |
|--|---|--|---------------------|------|------|----------------------|------|-----------------------|--|
| | | | 1980 | 1985 | 1990 | 1995 | 2000 | | |
| Policies and measures (P) | Establishment of trade-related legislation | The Capacity Building Program on the Implementation of the WTO Agreements | | | | | | | |
| | | Promotion and Development of Industry Sector | | | | | | | |
| | Promotion and development of SMEs, supporting industry and industry | Construction of Kulim Hi-Tech Park | | | | | | | |
| | | Promotion and Development of Industry Sector (Supporting Industry) | | | | | | | |
| | | Supporting Industry Technology Transfer Project | | | | | | | |
| | | Formulation of Action Plan to Develop Advisory Capabilities of Malaysian Development Financial Institutions for SMEs | | | | | | | |
| Human, financial, and physical resources in organization (R) | Assistance for trade training center | Malaysia External Trade Development Cooperation | | | | | | | |
| | | Metal Industrial Technology Center | | | | | | | |
| | Promotion of SMEs, supporting industry and industry | Research on Fine Ceramics | | | | | | | |
| Casting Technology Center | | | | | | | | | |

* This assessment is just in comparison with more advanced developing countries such as Thailand and Malaysia. There is no doubt that Indonesia (as well as the Philippines, which is addressed later) has improved its social capacity better than other developing countries in general. JICA's assistance should be evaluated for its role in having contributed to Indonesia's capacity development to reach the final phase of the system-making stage.

eration under the Malaysia Technical Cooperation Programme (MTCP) scheme.

3) The Philippines

a. Contribution of JICA’s Assistance to Capacity Development of the Government

In order to examine the contribution of JICA’s assistance to the capacity development of the government of the Philippines, using the same method we applied to Indonesia, we plotted the number of projects on the horizontal axis and the social capacity (the government) on the vertical axis in Figure 3-5, showing changes by capacity in 1980 and in 2005. The number of projects, as shown in Table 3-10, is the total number of projects in each year based on the categories in accordance with relevant capacity factors. The results of the analyses did not indicate a significant contribution of JICA’s assistance to social capacity development in the Philippines when compared to the other three countries. There would be several constraints that have hindered the contribution of JICA’s assistance to the Philippines’ social capacity development; for instance, the country has received a relatively small number of projects compared to Indonesia and Thailand; and its government sector has limited human and financial resources. As shown in the figure, the improvements in R factors and K factors were limited.

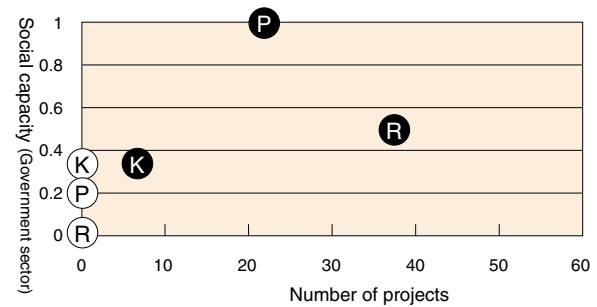
b. Consistency of Social Capacity Development Stages with JICA’s Assistance

Table 3-10 shows that a variety of assistance was provided to the Philippines simultaneously after 2000 as observed in the case of Indonesia. Economic cooperation in trade and investment from Japan includes not only the Philippines Trade Training Center

(PTTC) project but also reinforcement of customs systems, and WTO capacity building. In addition, JICA has implemented technical cooperation projects on industrial technologies such as food packaging.

The results of the analyses suggest that JICA’s trade sector assistance in the Philippines needs additional and intensive inputs to achieve the transition to the system-working stage because the Philippines’ social capacity is still underdeveloped compared to Malaysia’s and Thailand’s. The country is still in the phase where capacity development is strongly required in order to achieve transition to the system-working stage. Accordingly, it would be necessary for the international community as well as the Philippines itself to continue to invest more resources inputs for capacity development.

Figure 3-5 Contribution of JICA’s Assistance to the Capacity Development of the Philippine Government



(Notes 1) P indicates policies/measures factors; R indicates human, financial, and physical resources in organization factors; and K indicates knowledge/skills factors.

(Notes 2) ○ indicates the capacity level as of 1980; and ● indicates the capacity level as of 2005.

Table 3-10 JICA’s Assistance Inputs in the Philippines by Development Issue

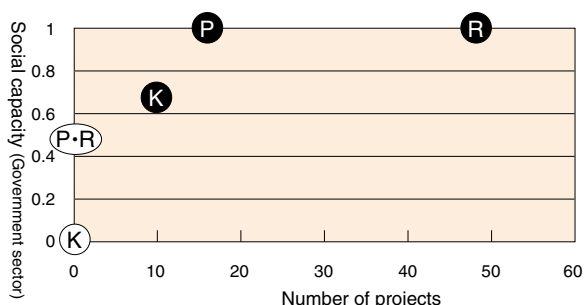
| Capacity Factor | Development Issues | Project Name | System-making Stage | | | | | | | | | | | |
|---|---|--|---------------------|------|------|------|------|--|--|--|--|--|--|--|
| | | | 1980 | 1985 | 1990 | 1995 | 2000 | | | | | | | |
| Policies and measures (P) | Export-promoting development plan | Development of Cavite Export Processing Zone and Investment Promotion Plan | | | | | | | | | | | | |
| | Establishment of trade-related legislation | The Capacity Building Program on the Implementation of the WTO Agreements | | | | | | | | | | | | |
| | Promotion and development of SMEs, supporting industry and industry | Master Plan of Coal Industrial Technology Development | | | | | | | | | | | | |
| | | Promotion and Development of Industry Sector | | | | | | | | | | | | |
| | | Industrial Environment Management Study | | | | | | | | | | | | |
| | | Plan-Making Support of SMEs Development | | | | | | | | | | | | |
| | Establishment of Industry-related legislation | Industrial Standardization and Quality Control Project | | | | | | | | | | | | |
| Industrial Property Modernization | | | | | | | | | | | | | | |
| Human, financial and physical resources in organization (R) | Assistance for trade training center | Trade Training Center | | | | | | | | | | | | |
| | | Trade Training Center (Follow-up) | | | | | | | | | | | | |
| | Promotion of SMEs, supporting industry and industry | Metal and Casting Technology Center | | | | | | | | | | | | |
| | | Industrial Standardization and Electric Testing Technology | | | | | | | | | | | | |
| | | Software Development Training Center | | | | | | | | | | | | |
| | | Improvement of Mold Technology | | | | | | | | | | | | |
| | | Electronic Products Testing Technical Cooperation | | | | | | | | | | | | |
| Improvement of Regional Food Packing Technology | | | | | | | | | | | | | | |
| Knowledge and skills (K) | Acquisition, analysis and release of trade-related information and skills | Study on Measurement of the Time Required for Trade | | | | | | | | | | | | |
| | Acquisition, analysis and release of industry-related information | Production Statistics Development Plan | | | | | | | | | | | | |
| | | Production Statistics Development Plan Follow-up Study | | | | | | | | | | | | |

4) Thailand

a. Contribution of JICA's Assistance to Capacity Development of the Government

In order to examine the contribution of JICA's assistance to capacity development of the Thai government, we plotted the number of projects on the horizontal axis and the social capacity (the government) on the vertical axis in Figure 3-6, showing changes by capacity in 1980 and in 2005. The number of projects is as shown in Table 3-11, the total number of projects in each year based on the categories in accordance with relevant capacity factors. In the case of Thailand, as in the case of Indonesia, capacities have been more developed where JICA has extended more inputs, which would indicate the effectiveness of JICA's

Figure 3-6 Contribution of JICA's Assistance to the Capacity Development of the Thai Government



(Notes 1) P indicates policies/measures factors; R indicates human, financial, and physical resources in organization factors; and K indicates knowledge/skills factors.

(Notes 2) ○ indicates the capacity level as of 1980; and ● indicates the capacity level as of 2005.

assistance. Although K factors remain at a relatively low level compared to other factors, this factor category has shown a high increase from 1980 to 2005 in spite of a relatively low level of aid inputs from JICA.

b. Consistency of Social Capacity Development Stages with JICA's Assistance

As shown in Table 3-11, overall, it seems that necessary assistance has been sequentially provided, just as it was done in Malaysia.

Specifically, along with enhancement of the export-oriented policy in the 1980s, the assistance inputs to the International Trade Center (ITTC, currently International Trade Training Institute [ITTI]) started. Then, several development studies and technical cooperation projects for the promotion of industry, SME, and supporting industry were conducted. During the transitional period from the system-working stage to the self-management stage, JICA implemented cross-industrial projects in each factor category such as assistance for WTO capacity building, development of consulting services to promote SME cluster and regional development, and a Thai measurement and standards organization project.

4 Evaluation Results

(1) Contribution* to the Capacity Development of the Government

As mentioned above, we compared the capacity levels of the

Table 3-11 JICA's Assistance Inputs in Thailand by Development Issue

| Capacity Factor | Development Issues | Project Name | System-making Stage | | | System-working Stage | | Self-management Stage | | | | | | | | | | | | | |
|--|---|--|---------------------|------|------|----------------------|------|-----------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | | 1980 | 1985 | 1990 | 1995 | 2000 | | | | | | | | | | | | | | |
| Policies and measures (P) | Establishment of trade-related legislation | Capacity Building Program on the Implementation of the WTO Agreements | | | | | | | | | | | | | | | | | | | |
| | | Promotion and Development of Industry Sector | | | | | | | | | | | | | | | | | | | |
| | Promotion and development of SMEs, supporting industry and industry | Promotion and Development of Industry Sector (Supporting Industry) | | | | | | | | | | | | | | | | | | | |
| | | Development of Consulting Service for Thai SMEs Cluster and Regional Development | | | | | | | | | | | | | | | | | | | |
| | Establishment of Industry-related legislation | Industrial Standardization and Testing and Measurement System Development Study | | | | | | | | | | | | | | | | | | | |
| | | SMEs Promotion Support | | | | | | | | | | | | | | | | | | | |
| Management Consulting of SMEs | | | | | | | | | | | | | | | | | | | | | |
| Human, financial and physical resources in organization (R) | Assistance for trade training center | Trade Training Center | | | | | | | | | | | | | | | | | | | |
| | | Trade Training Center (Follow-up) | | | | | | | | | | | | | | | | | | | |
| | Promotion of SMEs, supporting industry and industry | Metal Processing and Machine Industry Development | | | | | | | | | | | | | | | | | | | |
| | | Industrial Standardization Test Training Center | | | | | | | | | | | | | | | | | | | |
| | | National Computer and Software Training Center | | | | | | | | | | | | | | | | | | | |
| | | North Ceramic Center | | | | | | | | | | | | | | | | | | | |
| | | Increase of Productivity | | | | | | | | | | | | | | | | | | | |
| | | Institution-building of SMEs' Management Consulting | | | | | | | | | | | | | | | | | | | |
| | | Improvement of Mold Technology | | | | | | | | | | | | | | | | | | | |
| Industrial Standardization Test Training Center (Aftercare study team) | | | | | | | | | | | | | | | | | | | | | |
| Knowledge and skills (K) | Acquisition, analysis and release of industry-related information | Industrial Property Information Center | | | | | | | | | | | | | | | | | | | |
| | | National Measurement Standard Institution | | | | | | | | | | | | | | | | | | | |

* Here, "contribution" is used in a broader and more general sense than "the concept of contribution," which was used in Chapter 3, Part 1, "JICA Program Evaluation."

governments of the targeted countries and JICA's assistance inputs as of 1980 and as of 2005, and examined the contribution of JICA's assistance inputs. As a result of plotting the capacity levels and assistance inputs on two axes, we have found that the levels of each capacity factor have improved in the four countries and JICA's assistance has played an important role in such improvements (Figure 3-3, Figure 3-4, Figure 3-5 and Figure 3-6). In Indonesia and Thailand, improvements of social capacity levels are proportionate to the amount of JICA's assistance inputs, which indicates that the contribution of JICA's assistance has been relatively large. On the other hand, Malaysia has been successful in developing its capacity in spite of the small amount of JICA's inputs; among others, capacity development in R factors has been remarkable in Malaysia. In the Philippines, the contribution of JICA's assistance is not significant compared to others; the country has shown relatively little increase in R factors and K factors.

(2) Consistency of Social Capacity Development Stages in Trade with JICA's Assistance

Based on the social capacity development stage analysis of the four countries, we evaluate consistency of JICA's assistance with the social capacity development stages in the four countries. JICA's assistance can be classified into two categories based on the characteristics of inputs in hindsight.

In the first type, the focus of assistance will shift according to social capacity development stages. Among targeted countries, Malaysia and Thailand are categorized as this type, and JICA's assistance for Malaysia and Thailand is evaluated to be consistent with their development stages. The second type is due to the insufficient development of social capacity, one in which various types of assistance are implemented at the same time in order to realize the transition to the system-working stage. The second type can be called "additional input" type assistance, whereas the first type can be called the "sequential input" type assistance. Indonesia and the Philippines are considered to be the second type.

Examining the consistency of JICA's assistance with the social capacity development stages it can be concluded that the "sequential input" type assistance implemented in Malaysia and Thailand seems to have been more desirable in terms of efficiency and ensuring recipients' ownership. However, it would be more realistic to say that those countries' strong ownership enabled efficient assistance. In the cases of Indonesia and the Philippines, JICA's assistance has been consistent with the development stages in the sense that it has been in line with the situation of the countries. However, more efforts would be required to promote self-help in developing countries and facilitate capacity development based on their ownership.

(3) Coherence with Higher Policies and Partnership between JICA and Other Agencies

Japan has conducted international cooperation in the trade

sector based on the policy of "the trinity of assistance, trade, and investment." This policy typically materialized in the Southeast Asian countries. Japan's assistance has led to improving the investment climate, which fosters foreign direct investment such as that from Japanese corporations, and to promoting export. Ultimately this strategy contributes toward the economic growth of developing countries. The following shows the roles of the Japanese government institutions concerned in relation to each actor in four countries, which is the framework of analysis.

In the "hard" aspect of capacity development, JBIC's yen loans have taken an important role (the grant aid scheme has also contributed to the infrastructure development in Indonesia and the Philippines), while JICA has played a major role in the "soft" aspect by assisting institutional building. In terms of assistance for trade-related policy-making and implementation, JETRO, in addition to JICA, has played an important role, through such activities as support for export industrialization and the One Village One Product Campaign. In addition, assistance to the government for enhancing its export promotion services has been implemented mainly by JICA, and partly implemented by JETRO as its cooperation with export promotion organizations. With regard to SMEs capacity development, JETRO, JODC and AOTS have played major roles in extending assistance. Assistance to private industrial associations and export assistance industry has been mainly implemented by JETRO.

With the abovementioned demarcation, the coordination between JICA and other assistance related agencies has been generally effective. Furthermore, in each developing country, there is an ODA Task Force among embassies, JICA, JBIC and JETRO, and the coordination among agencies is being strengthened. However it is necessary to reconsider more effective ways of coordination toward more effective and efficient cooperation.

(4) Consistency with a Developing Country's Development Policy

The four countries we evaluated in this report adopted export-oriented industrialization policies by the mid-1980s. More specifically, the governments encouraged investment in export-oriented industries with policy measures such as low-interest government financing as well as by providing subsidies and lowering export-tariffs. In addition, as trade liberalization advanced in the world through the WTO, FTAs, and EPAs, the governments have shifted their focuses from export promotion assistance targeting individual industries/companies to establishment and improvement of the system and environment to promote capacities in the private sector.

In the meantime, Indonesia and the Philippines, faced with strong competitors such as Malaysia and Thailand in the neighborhood, set similar targets to those of the relatively advanced countries. In that sense, donors' assistance was consistent with the development policies of those countries. However, it needs to be carefully reviewed whether the development policies of Indonesia and the Philippines themselves were appropriate, taking

also into consideration the policies to protect domestic industries in these countries. In countries where industrial development has been achieved to a certain level and its national income is relatively high, such as Thailand and Malaysia, social capacity has also been developed to some extent. Therefore, the focus of the recipient government's policy is to grow high value-added industries based on their developed social capacity. Accordingly, assistance to these countries should focus on the private sector, rather than on the government sector, to promote direct investment to these countries and imports from them. Development assistance to Thailand and Malaysia is already shifting in this direction.

5 Lessons Learned and Recommendations

In this section, based on the lessons learned from evaluation results for the four countries, we set forth recommendations for enhancing aid effectiveness, especially in situations where social capacity is not smoothly being developed. More specifically, we point out the importance of accurately identifying the social capacity development stages, enhancing program-based assistance, promoting a "G to B" approach, and extending appropriate assistance that matches the country's social capacity.

(1) Toward Program-based Assistance*

Based on the evaluation results of Indonesia and the Philippines, JICA's assistance has contributed to the governments' capacity development to some extent. However, when considering the consistency of JICA's assistance in capacity

development of the whole society including the business sector, these countries have not been able to reach the system-working stage. Therefore, it is necessary to plan assistance programs that take into consideration comprehensive social capacity development.

When formulating programs, we need to consider levels of capacity by actor/factor that are identified based on the Social Capacity Assessment, and development assistance's timing, quantity, quality, and sequence based on the development stages. Above all, a major focus is placed on what kind of assistance is necessary to achieve development from the system-making stage to the system-working stage.

The period from the system-making stage or pre-system-making stage to the self-management stage may require a few decades; therefore, one single program would not be sufficient. In fact, programs should have mid-term goals, such as a shift to the system-working stage, covering a period of five to 10 years. Here, we show a long-term cooperation program in order to show the overall picture covering development process from the system-making stage to the self-management stage. Based on the evaluation results of the four countries as well as OECD (2001)** and JICA Institute for International Cooperation (2003)***, the overview of the trade-related cooperation program in accordance with social capacity development stage is shown in Table 3-12. Due to the abovementioned characteristics, this would not be applied simply as it is to any country or region; instead, this should be taken as a sort of conceptual model.

Cooperation programs can be classified into two types: pro-

Table 3-12 Development Assistance Programs that Correspond to Social Capacity Development Stages

| Trade Sector | | Preparation Stage | System-making Stage | System-working Stage | Self-management Stage |
|---|---|-------------------|---------------------|----------------------|-----------------------|
| Social Capacity Development Stage | | | | | |
| Policies and measures (P) | Export-promoting development plan | | | | |
| | Establishment of trade-related organization (Response to liberalization and facilitation such as WTO) | | | | |
| Human, financial and physical resources in organization (R) | Establishment of trade-related organization, Human resource development (such as customs, quarantine and trade finance) | | | | |
| | Assistance for Trade Training Center (Export-support, information, training for private companies) | | | | |
| Knowledge and skills (K) | Acquisition, analysis and release of information such as statistics | | | | |
| Support for South-South cooperation | | | | | |

| Industry Promotion Sector | | Preparation Stage | System-making Stage | System-working Stage | Self-management Stage |
|---|---|-------------------|---------------------|----------------------|-----------------------|
| Social Capacity Development Stage | | | | | |
| Policies and measures (P) | Promotion and development of SMEs, supporting industry and industry | | | | |
| | Establishment of industry-related legislation | | | | |
| Human, financial and physical resources in organization (R) | Promotion of SMEs, supporting industry and industry | | | | |
| | SMEs promotion organization | | | | |
| Knowledge and skills (K) | Acquisition, analysis and release of information such as statistics | | | | |
| Support for South-South cooperation | | | | | |

Note: ■ dark gray indicates that focused inputs are required; ■ light gray indicates that preliminary or follow-up inputs are required.

* Here, "program" refers to a cooperation scheme with a mid- and long-term viewpoint, and does not necessarily correspond to the definition of "JICA program" used in Chapter 3, Part 1, "JICA Program Evaluation."

** Organisation for Economic Co-operation and Development (2001) The DAC Guidelines: Strengthening Trade Capacity for Development

*** JICA Institute for International Cooperation (2003) Approaches for Systematic Planning of Development Projects: Trade and Investment Promotion

grams that directly deal with export promotion and programs that aim to enhance the competitiveness of the private sector in a host country.

In trade-related areas (in a narrow sense), a master plan on export promotion should be formulated at the preparatory stage. The master plan is a basic policy for developing social capacity and clarifies areas that require assistance. The master plan should be formulated in consideration of enhancing the private sector's competitiveness. Based on the master plan, from the system-making stage to the system-working stage, assistance related to three factors (P, R, and K) should be implemented.

At the system-making stage, assistance for the development of a trade-related law system (P), organization and human resources development in customs/quarantine or trade finance agencies (R), and statistical data collection/analysis/publishing support (K) should be extended. When capacity development assistance achieves certain results, assistance for development of a trade-facilitation law (P) and the establishment of trade training centers (R) should follow. In relation to trade training centers, as the experience of Thailand shows, assistance toward export promotion agencies (DEP in Thailand and MATRADE in Malaysia) should be implemented simultaneously, to make assistance more effective. This is because the trade training center and the export promotion organization should be closely coordinated. By means of capacity development in three factors in the government sector, the government is able to support capacity development in the private sector. By developing related capacity, the private sector can also contribute to the advancement of overall social capacity development. At this stage, JICA's cooperation program should include the following fields: formulating master plans, promoting participation in law-formulation process, enhancing understanding on the legal system, and fostering the private sector's feedback to services provided by related government organizations.

At the early system-working stage, assistance, which was implemented at the late system-making stage, should be continued. As the case in Indonesia shows, at the completion of capacity development for the system-making stage, extending the scope of trade training center projects from the capital to the regions could result in larger impacts. Capacity development for consulting in response to EPA and FTA also becomes important. Utilizing this sequence of assistance from the system-making to the system-working stages, Japan's assistance could move its focus on to South-South cooperation.

In the meantime, similar sequential inputs are also required, in principle, in the area of industrial development. Both trade promotion (in a narrow sense) and SMEs/supporting industries promotion are required to enhance trade performance.

In addition, in order to ensure the effectiveness of development assistance programs, comprehensive approaches are necessary; in other words, it is important to consider not only trade promotion, and SMEs/supporting industries promotion, but also public sector reform and improvement of market conditions. It is also important to consider priorities of trade promotion in the

country-level socioeconomic development plans.

Also, there are possibilities that the region can not enjoy efficient resource allocation when individual countries pursue independent programs on their own. In this regard, it may be necessary for countries to undertake policy coordination and to make cooperative programs at the regional level with due consideration given to the benefits of individual countries. As far as the four countries in this evaluation are concerned, export promotion and SMEs promotion policies that benefit individual countries in the frameworks of ASEAN and the East Asian Community should be considered.

(2) From “Government to Government (G to G)” to “G to G plus Government to Business (G to B)”

One of the most important points in assisting in capacity development is to develop overall social capacity by utilizing the relationships among various actors. It is necessary to choose the best actors among them to improve effectiveness, instead of limiting the choice to the targeted actor. In this sense, the promotion of active participation of the business sector (private sector) is one of the effective options in pursuit of ensuring comprehensiveness and spontaneity, which are important in the CD process. From the perspective of the trend of donors' assistance, G to B is one of the effective options. However, flexibility is required when implementing assistance for providers who directly provide services to firms and assistance for facilitators who support the providers, with consideration given to a complementary relationship between the two.

(3) Applying Past Experiences to South-South Cooperation

In order to strengthen economic ties between Japan and East Asian countries, it is important to provide social capacity development assistance to least developed countries such as Cambodia, Laos, Myanmar and Viet Nam (CLMV), in addition to the four targeted countries. The importance of such activity is expected to contribute to the future “East Asian Community.”

From a wider perspective, all four countries are expected to play important roles to implement South-South cooperation for African development, which is the most important issue in development assistance, as Malaysia and Indonesia have already addressed this issue. JICA and other Japanese governmental agencies have the experience of assistance “placing importance not only on development results but also on the capacity development process.” Supporting South-South cooperation is a challenge for these organizations to expand and improve their activities. For Indonesia and the Philippines, which are still in the process of moving from the system-making stage to the system-working stage, South-South cooperation may be limited in scope, but reviewing their experience at this stage and conveying their experiences to other countries is an important learning process for African countries and is expected to enhance two countries' ownership.

From the perspective of human resource development in developing countries, "Synthesis Study of Evaluation: Higher Education" was conducted in fiscal 2005. The summary of the study is introduced here.

1. Objective of the Synthesis Study

The synthesis study targeted JICA projects in support of higher education focusing on universities that are expected to play a larger role as centers of excellence in developing countries. Cross-sectional analysis was conducted for evaluation results of individual projects based on the three functions of universities: improvement of educational activities, capacity building of research institutions, and encouragement of social activities.

2. Results of the Study

This synthesis study classified projects in various sectors, departments, and regions (eight countries, 12 projects) according to the above-mentioned three functions and made an analysis from the viewpoints of approach, impact/spreading effects, and sustainability.

(1) Project Approach

Projects for improvement of educational activities and projects for capacity building of research institutions both took a mid- to long-term approach of addressing the development issues by increasing the number of excellent human resources and utilizing research findings, respectively through improvements in teaching staff, curriculum, and facilities at universities and enhancement of human resources, and by improving the research environment and capacity building for researchers. On the other hand, projects for encouraging social activities were expected to achieve outcomes in a relatively short-term because universities were directly involved in regional development activities such as organizing farmers' groups, afforestation, and fishpond management. Because the encouragement of social activities utilizes the educational and research functions of universities, the projects for encouraging social activities subject to the study are usually a hybrid type, combined with the other two types of projects.

(2) Project Impact/Spreading Effects

Projects for improvement of educa-

tional activities and for capacity building of research institutions incorporated external factors such as securing employment opportunities and opportunities to utilize research findings in the process of achieving the overall goals. Although some efforts by universities such as support for employment for graduates were observed, partnerships between universities and industry and reflection of research findings on policies were not sufficient to address these external factors. Therefore, it is desirable to include some kind of measure into project activities. As for projects for encouraging social activities that are usually combined with other types of functions, project purposes/goals were not sufficiently shared among concerned parties in some cases. It is therefore important to set specific targets and form a unified recognition of those targets. In addition, it became clear from this analysis that continuous partnerships with Japanese universities significantly contribute to the emergence of impacts.

(3) Project Sustainability

When it comes to sustainability, the foremost issue is securing finance for every type of project. As compared to the other two types of projects, projects for encouraging social activities hold a relative advantage in financial terms because universities sometimes directly reach out to the society so they can receive donors' financial support more easily from the perspective of contributing to poverty reduction. Although storage and maintenance of materials and equipment provided in projects is also an issue common to all types of projects, there were cases where introduction and maintenance of equipment contributed support from other donors after the termination of projects or the organizational development.

3. Lessons Learned

Based on the analysis results, the following four lessons learned are summarized for raising sustainability after the termination of projects as well as expanding

impacts.

(1) Formulation of hybrid projects for encouraging social activities

From the viewpoints of capacity development of higher educational institutions and effective utilization of resources that local universities have, it is important to support the efforts of higher education institutions' involvement in social activities through hybrid projects for encouraging social activities combined with other functions.

(2) Support for improvement of management

It is indispensable to provide managerial support such as operational management, financial management and equipment maintenance. Especially, proper equipment maintenance, which improves reputation of target institutions, increases opportunities to get involved with social activities, and facilitates to secure excellent human resources, is meaningful in terms of project sustainability.

(3) Continuous partnerships with Japanese universities

It is important for a Japanese university to get involved organizationally from the formulation stage of projects and consider which forms and contents of partnerships would be most sustainable, in prospect of the picture after the termination of projects.

(4) Involvement with South-South cooperation

JICA is required to support the target organizations' efforts of establishing networks with other domestic and international organizations and organizations outside their regions through South-South cooperation.



A Counterpart utilizes equipment provided.
(King Mongkut's Institute of Technology, Ladkrabang, Thailand)