The Minutes of the 5th International Symposium -
Innovation of Aid Policy and Social Capacity
Development: Toward Aid Effectiveness

1. SPEAKERS

1.1. Speaker 1: Prof. Matsuoka

The presenter discusses directions in innovations for development aid policy from the viewpoint of the development of social capacity, which COE Program has researched and developed, and social capacity assessment. Social capacity assessment requires the suppleness, robustness and usefulness for enhanced effectiveness in Japanese development aid policy. The Government of Japan called for the importance of capacity development in the Paris Declaration and the development of theory and policy along with the concretization of development aid to regions is now sought after. Capacity development for enhanced aid effectiveness needs endogeneity and comprehensiveness. Thus social capacity assessment should be systematized as a toolbox to acquire the endogeneity and comprehensiveness with concerning about priority, timing and sequence of aid policy. Social capacity assessment consists of actor-factor analysis, development stages analysis and program design. Actor-factor analysis use actor-factor matrix as an evaluation form of social actors capacity level that are developed by factor analysis approach, structural equation modeling, frontier/tobit approach etc. Development stages analysis specifies the development stages; system-making stage, system-working stage, and self-management stage, based on the benchmarks and then presenting the development process of social capacity. Hereafter, in order to design programs for achieving aid effectiveness, we will launch a pilot program at Indonesia in 2006 based on the basic design of our SCA methodology.

1.2. Speaker 2: Prof. Ohno

The presenter discusses three main points: i.) Recent discussions on aid modalities and capacity development, ii.) Key factors for considering appropriate mix along with two examples drawn from two countries, iii.) Synthesis and implications for Japan’s ODA activities. The first main point is opened up by giving a historical account of ODA from 1950s, with emphasis on shift to Sector Wide Approach (SWA), direct Budget Support (BS) including both General Budget Support (GBS) and Sector Budget Support (SBS) starting mid-1990s. Besides, Capacity Development (CD) is stressed from development effectiveness and partnership. A research question is pointed out on ways to match aid modalities and CD needs. Passing to the second main point, the presenter highlights country-specific conditions which should be carefully reckoned with when designing aid mix. In this regard, the presenter underlines important points as priority needs, nature of priority activities and aid relationship. An important contribution is brought forward as
Development Priority Matrix (DPM), which is thought to be important in determining priority needs and capacity of the public sector. DPM is designed within the Cartesian coordinate system, each quadrant of which carries different information in terms of policy design. Taking values from Y-axis (Policy and institutions on the positive side, Implementation on the negative side) and X-axis (Macro-economic policy on the positive side, Sector and local administration on the negative) public sector domain is defined as circle that cuts values on both axes. However, the presenter has not mentioned about how the values are determined or computed and has primarily explained different determinants through country examples, especially Tanzania and Vietnam (which differ significantly in terms of aid dependency, transaction costs of aid delivery, functioning of core government systems, relative importance of private sector development, etc.). Putting the priority needs in different quadrants of the Cartesian coordinate system, counter-clock wise proceeding of aid modalities is proposed as an approach to guide appropriate mix of aid modalities (including projects and BS). Lastly, the presenter has stressed the importance of enhancing Japan’s aid effectiveness by strengthening the linkages between projects (through which Japan has accumulated field-based knowledge) and policy and institutional support (through technical cooperation and/or BS, if relevant).

1.3. Speaker 3: Dr. King

The presenter hinges on two points in his presentation: endogeneity and comprehensiveness. Endogeneity stresses that capacity has to be home-grown, or has to be built locally. Lately, the international consensus has been achieved that one-sided transfer of knowledge and technology, known as Replacement Approach, is an ineffective aid approach. Also, sustainable local capacity and country capacity, as highlighted by MDG, have increasingly find places in aid effectiveness issues. Regarding all these, a general approach is assumed that puts country ownership and endogenous capacity development in the center. Thus a new analysis has been adopted to assess the backdrop for aid effectiveness. Some of them are given as institutional analysis, power analysis, drivers of change analysis, social capacity assessment, country needs assessment. Before passing to the second point, i.e., comprehensiveness issue, the presenter wants to discuss on social actors, which have strong implications for local capacity, and basic differences in identification of different social actors. The second point is the comprehensiveness issue. A comprehensive approach is needed because different social actors interact with each other, thus any approach taken should also cover the interrelationships between them. The presenter discusses on three frameworks for comprehensive approaches, governance, framework for evaluation and knowledge economy framework.

1.4. Speaker 4: Dr. Nilsson

The presenter also highlights the ineffective aid approach that is abandoned for the sake of a new paradigm. Mainly endorsed by the so-called like-minded group (LMG: a group of European countries), the new approach involves budgetary support by active involvement of donor and a dialogue between donor and recipient parties on aid program’s contribution to development, problems to be solved, results to be measured, and funds to be accounted
for. The presenter in the last section of his presentation gives an account of experiences gained by OECD-DAC, requirements for effective aid program, and implications for Japanese aid activities. Experiences gained by OECD-DAC are grouped into positive and negative experiences. Positive experiences generally are derived from better coordination, improved partner leverage, increased institutional effectiveness and efficiency. Negative experiences are derived from political realities that do not change even with the aid supplied, high level of tolerance by donors to low effectiveness, and low levels of transparency during intermediate processes. Suggestions derived for Japanese aid activities are generally given in lines that would approach Japanese position to European position such that Japan should put higher demands on recipient countries, should focus on building institutions and social capacity, and should ensure evaluations procedures.

2. PANEL DISCUSSIONS

2.1. Panelist 1: Mr. Santos, Secretary of NEDA, the Philippines

Mr. Secretary starts his presentation with an account of ODA share within general expenditures and resources of ODA to the Philippines. Mr. Secretary highlights Japan’s prime share within ODA resources as 64% of all. The main point Mr. Secretary stresses in his discussion is the lack of trust or confidence by donors to recipients. Based on the ongoing reforms or activities of the government of the Philippines, he addresses that the Philippines is capable of using aid in effective ways. In general, he concludes with remarks that the support should be compatible with the recipient’s needs, aid should be supplemented with trade, local capacity should be taken as the reference.

2.2. Panelist 2: Mr. Pangaribuan, Head of Sub Directorate for Multilateral I, BAPPENAS, Indonesia

Similar to the previous panelist, Mr. Director gives an account of the ODA. Indonesia receives from external resources. Japan (i.e., JBIC) constitutes the largest share with 44% of all ODA. After emphasizing evolution of Japanese ODA to Indonesia, Mr. Director stresses on the issues surrounding aid effectiveness. Similar to the previous panelist, the need for aligning aid policies with recipient government and its policies is stressed again along with the need for more donor coordination and capacity building processes.

2.3. Panelist 3: Mr. Tomimoto, Global Environment Department, JICA

Mr. Tomimoto introduces (environmental) capacity development at the grassroots, organizational and policy levels (three-level approach adopted by JICA). Environmental capacity development hinges on the creation of environmental center as a liaison between different levels and bodies related to environment. The example given in the presentation is drawn from one of JICA projects conducted in Indonesia where social actors are assumed to be Ministry of Environment, local government and local citizens. The presenter highlights the importance of the pilot projects that are applied on experimental basis in order to excel the projects by feedbacks from pilot projects.
2.4. **Panelist 4: Mr. Shibata, Senior Adviser, the World Bank**

Mr. Shibata differs from other panelists such that he discusses the study that constitutes the Keynote Address by Prof. Matsuoka (Matsuoka and Fuchinoue, 2006). Mr. Shibata highlights poor connections between sections, and expresses his disbelief on the relationship between aid effectiveness/violent conflict and capacity development. Also, the panelist criticizes the examples drawn from Japanese software industry given in the study whilst no major software used globally developed by the Japanese software industry. The panelist also criticizes the use of references cited exclusively drawn from western (English based) scholars leaving no space for scholars of the region in interest, i.e., Asia.

2.5. **Panelist 5: Dr. Osaki-Tomita**

Dr. Osaki-Tomita introduces relationships between capacity and international migration. Highlighting decreasing ODA yearly and increasing international migration, Dr. Osaki-Tomita stresses requirement of capacity development. Drawing from the evidence remittances show, the panelist suggests that migrants should be regarded as agents of development.

2.6. **Panelist 6: Dr. Shiroishi, Health Specialist, ADB**

Dr. Shiroishi strongly emphasizes the importance of policies and efforts to reduce AIDS, HIV/AIDS infected population within the general population of countries, and emphasizes the variation (or heterogeneity) across countries with respect to the successes. The panelist supports his case with a catastrophic example for Botswana where half of the population would be lost due to the prospective lack AIDS and AIDS/HIV counter-measures. Drawing from a success story, i.e., Brazil, the panelist hints on capacity development that should mobilize and incorporate all segments of the society, e.g., media, all levels of governmental bodies.

3. **DISCUSSIONS**

(Capacity development)

- Capacity development is a useful concept and a policy target for poverty reduction, peace building, and economic development besides environmental management, etc.
- Considering which actors take initiatives to set the targets is very important for capacity development.
- We should consider how to develop the capacity, and how to prioritize capacity factors.
- In the case of cross border environmental issues, since there exist capacity gaps across borders, multi-stakeholder dialogue, workshops, experience sharing, best practice transfers are useful capacity development procedures to achieve aid effectiveness.
• We should consider how to combine capacity development, infrastructure management, and technical assistance in aid policy.

(Aid effectiveness)

• Aid effectiveness debates contain some key concepts such as country ownership, government leadership, donor coordination, and intra-governmental relationships, policy scoping.

• We need to evaluate concerns of the central and local governments regarding environmental management since the decentralization of power.

(Assessment method)

• We need to evaluate and brush up assessment methods scientifically by conducting case studies.

• Simple assessment methods are required.

• We should consider whether capacity development are defined and required for different issues.