Innovation in Development Aid Policy and Capacity Development Approach

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1. Introduction

The purpose of this study is to discuss directions in innovations for development aid policy from the viewpoint of the development of social capacity, which the Hiroshima University 21st Century Center or Excellence (COE) Program—COE for Social Capacity Development for Environmental Management and International Cooperation—has researched and developed, and social capacity assessment. Advancing a step beyond the theoretical stage of capacity development, this discussion will focus on issues of policy making regarding this approach, and for enhanced effectiveness in Japanese development aid policy.

When comparing the development aid policy of Japan and other Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) countries, major directions—such as in program approach, sector wide approach, and emphasis on country-specific approaches and capacity development—are seen to be identical. However, the assessment of technological cooperation projects, termed stand-alone projects, is greatly at variance. In order for Japan to assert its independence and flexibility in selecting aid modalities according to the developing nation, and the importance of capacity development, innovation is called for in Japanese development aid policy.

There is a need for Japan to examine, theorize and strategize its approach to the comprehensive aid framework recommended by the other DAC countries and Multilateral Development Banks (MDBs), along with a colligation of the cases of successes and failures experienced in technical cooperation projects and yen credit operations thus far engaged in over time by Japan regarding Asian countries. There is likewise a need to consider the debate that had its inception in the Aid Effectiveness discussion of the March 2005 Paris Declaration. On that basis, Hiroshima University, in cooperation with the Japan International Cooperation Agency (JICA), the Japan Bank for International Cooperation (JBIC), the Institute of Developing Economies Japan External Trade Organization (IDE-JETRO), and the National Institute for Environmental Studies (NIES), formed the Japan Committee on Social Capacity Development in August, 2004. The Japan Committee held World Bank Joint Seminars in May 2005 and Nov. 2005 in Tokyo and Washington D.C. Valued opinions and criticism from specialists in all concerned fields were received, and theoretical studies of the capacity development approach along with applied studies were carried out.

The structure of this study is as follows. In Sections 2 and 3 below the two primary issues in current development aid policy—poverty and conflict—are discussed and made explicit in terms of the necessary vantage points for aid policy innovations. In Section 4, directions in international aid policies and aid effectiveness are discussed, and the international debate concerning development aid policy innovations and Japan’s position are organized. Section 5 presents logical analyses regarding how to resolve the above problems, and a model for making policy of the capacity development approach is provided. Section 6 will draw conclusions on the findings.
2. Development aid/economic growth and poverty

In the field of economics there has long been a debate regarding aid effectiveness. Economic growth has been selected to measure effectiveness, and analyses have utilized a macroeconomic model that examines the impact of aid on economic growth. According to the theoretical analysis deployed until the early 1990s, aid and economic growth are in a weak relationship (White 1992). On the other hand, the microeconomic model analysis concluded that aid and economic growth are connected.

These studies continued past the 1990s. A representative example is Burnside and Dollar (2000). This study analyzed the relationship among aid, economic policies, and the per capita GDP growth rate. It was found that aid provides a positive impact on economic growth for developing countries that have “a policy environment with good fiscal policies, finances, and trade policies.” Conversely, the economic growth of developing countries that have a poor policy environment would be largely unaffected by aid. As a result, Burnside and Dollar (2004), claiming that aid when integrated with good policies would be further effective, expanded their temporal data and further established their claims.

The work of Burnside and Dollar sparked considerable debate, both positive and critical. Among the critical responses was the study of Dalgaard and Hansen (2001), which examined the claims of Burnside and Dollar using the neoclassical growth model of aid and government expenditure. They found that there is a possibility that good policies will simultaneously decrease the effectiveness of aid. They further criticized the econometrical results used by Burnside and Dollar as ambiguous. They concluded that the relationship between aid and growth espoused by Burnside and Dollar could be explained as a diminishing return in aid effectiveness.

There has recently been discussion on the impact of aid in Papua New Guinea on economic growth, and a study showing that aid has had almost no effect on economic growth (Feeny 2005). On the other hand, there is an empirical report (Guillaumont and Chauvet 2001) that, according to a cross-sectional statistical analysis the environmental trend is deteriorating, and fragile developing countries experience a greater impact on their economic growth from aid than countries that are not fragile. In either event, there remains room for debate regarding the impact aid has on economic growth.

As the aid and economic growth debate unfolds, in light of the failures of repeated aid to African countries, a major turning point was reached in the 1990s regarding assessment methodology. In academic fields, a landmark study was reported that measured aid effectiveness according to government regimes. The conclusion of this study was that increasing investment is ineffectual for aid, and aid was shown to make no contribution to the alleviation of poverty using human development indicators (Boone 1996). This report described a clear result of aid as simply expanding the size of the government of the recipient country.

Analyses of poverty using models have also been carried out. When current aid distribution and poverty efficient aid distribution are compared, the distribution structures are ut-
Poverty efficient aid distribution will help approximately twice as many people escape from poverty when compared with current aid distribution (Collier and Dollar 2002). In this study, the efficacy of a poverty efficient aid distribution in terms of the poverty rate, the poverty gap, and the square of the poverty gap was proven. In this study, in other words, aid effectiveness is not assessed by measuring economic growth, but rather by measuring the number of people who have actually been freed from poverty.

Knack (2001) focused on the relationship between governance and aid dependency. He evaluated governance in terms of three factors: bureaucracy quality, corruption, and the rule of law, and attained results showing that the higher the aid dependency of a government, the worse its governance is. He made the point that when providing aid to such a country, it is necessary to disseminate leading-edge information on costless and non-presumptuous public sector reforms to the recipient country.

Alesina and Weder (2002) investigated the connection between aid and corruption. They attempted to address three points: (1) whether or not the government of a country with a high degree of corruption, given the determining factor of the flow of other aid, receives more or less aid; (2) whether or not there are differences according to the donor, such as MDBs or bilateral aid; and (3) whether or not aid worsens or improves corruption. No proof was found that receiving aid has a negative influence on the degree of corruption. Nevertheless, differences among donors were apparent; particularly when aid is given by MDBs attention was carefully paid to the degree of corruption in the recipient country. For bilateral aid, there are clear differences among countries that pay attention to corruption and those that do not. What this study suggests may be that some relationship exists between the degree of corruption and aid effectiveness, and that when evaluating the effectiveness of aid the degree of corruption is a critical factor.

Unique reports focusing on the alleviation of poverty exist. Rather than donor countries making political policy and committing huge sums of aid, one such report (Hanlon 2004) notes that simply providing the poor with a stipend of one dollar a week is more effective in eliminating poverty. Meghnad Desai of the London School of Economics supports that unique study when he suggests that rather than “giving fifty billion dollars of overseas aid,” we should simply “find the poor and give them one dollar a week... That would probably do more to relieve poverty than anything else.” The results of an empirical study carried out with demobilized soldiers and flood victims in Mozambique showed that poverty was alleviated and the local economy stimulated. The administrative costs of this method amounted to between five and ten percent, and were more effective than other aid policies. If, according to this study, aid is provided based on this method at the family level, poverty will be efficiently alleviated. This study not only uses economic growth as a measure of aid effectiveness, it also uses administrative cost saving as a measure of effectiveness.

Hanlon’s report is a major challenge to those of us advocating government-level aid policies. If such studies continue and compensation such as the simple provision of one dollar a
week becomes a general approach to effective aid against poverty, attempts to improve current forms of aid may become meaningless. Nevertheless, is this truly the case?

Compensation treats the symptoms of the problem. Aiding the already poverty stricken is its primary goal; its goal is not to prevent the arising of poverty. It is, of course, important for us to alleviate poverty, but the creation of a society that does not produce poor people is of greater importance. By making clarifying the process by which poverty (performance) is created, and by ameliorating that process, a society that does not produce poverty can be created. Capacity development is effective in this regard. This point will be discussed below.

As noted above, in academic fields the focus is not limited to economic growth, but also includes poverty and government. Nevertheless, the main analytical framework is fundamentally an assessment of the impact on performance, including economic growth and the poverty rate. This perspective does not consider the impact on the processes that produce such performance, or how improving those processes will improve performance. The necessity for such a perspective has been recognized in this discussion in light of Hanlon’s report. If debate is limited to the impact of aid on economic growth in macroeconomic terms, there is no hope for innovation in aid policies. From perspective of process improving, that will likely not be possible.

In recent years another factor, equal to poverty, that exerts a major influence on social fragility has been identified as conflict. How to include conflict, a factor that has a serious influence on society in terms of damage to human capital and social infrastructure, in the framework of aid effectiveness is a topic that has only recently been addressed in economic studies. The following section presents an overview of the debate concerning development aid and conflict.

3. Development aid and conflict

Whether countries are classified as Low Income Countries Under Stress (LICUS) or Heavily Indebted Poor Countries (HIPCs), many have experienced or are experiencing violent conflict. Thus far, conflict factors have not been included within the framework of the aid effectiveness debate. Nevertheless, the influence of conflict on aid is great. When conflict becomes severe or protracted, humanitarian aid for refugee economies becomes foremost, and development aid is either terminated or suspended. As a result, human life and social infrastructure supporting society are destroyed, and recovery becomes even more difficult. Therefore, it is extremely necessary from the point of view of conducting effective aid to clearly understand the causative factors for countries easily falling into conflict.

Economic analyses that include variables considering conflict have been undertaken in recent years. A representative study is that of Collier and Hoeffler (2005). Their cross-country study concludes that the richer a country’s natural resources, the likelier it is to fall into conflict. As support for their argument, they first bring up the concept of the “resource curse.” Resource curse refers to the condition of a resource-rich country with overly rapid economic
growth (Davis and Tilton 2005). It was widely believed until that point that a country with rich natural resources would have a healthy economy, and economic growth would be positively stimulated by such resources. In empirical studies conducted over the last twenty years, however, the adverse effects have been more carefully studied. In the work of Bulte, Damania, and Deacon (2005) the relationship is a weak one, and their conclusion is that the resource curse has less of an impact on welfare that had been thought.

The report of Collier and Hoeffler (2002) theoretically and empirically shows that aid does not directly influence conflict risk. They note, however, that aid has an influence of economic growth and primary exports, which in turn influence conflict. According to their theoretical simulation, the conclusion of their analysis on policy package reform and the influence of increased aid in average aid recipient countries showed that the risk of conflict five years later would be reduced by thirty percent.

The work of Murdoch and Sandler (2002) was at the center of this debate. They used a neoclassical growth model to analyze the impact of civil war on the per capita national income of the country itself and of neighboring countries. Their results confirmed that civil war in a neighboring country negatively influenced national income. Such negative influence originates in a country’s unique influence, rather than such factors as immigrants, human capital, or investment. As the proxy value representing conflict increases, the spillover effect on neighboring countries increases.

Guha-Sapir and Van Panhuis (2004) focused on mortality rates to evaluate humanitarian aid programs. Using the infant mortality rate in particular, comparing the rates for children under and over five years of age before and after conflict, the risk of conflict-related mortality was measured. The findings showed that the more fragile a country, the greater the risk of conflict-related mortality for children under five years old. They note the issue of the difficulty in accurately grasping the post-conflict situation, and that analyses of the impact of conflict on the mortality rate may need a more epidemiologic approach.

In order to attain greater aid effectiveness in light of these trends, the need to correctly assess conflict and its effects has arisen. In that regard, the World Bank announced a proposal for Conflict Analysis Framework (CAF) in April 2005 (WB/CPR website). This proposal is comprised of three sections: (1) Why Conflict Analysis, (2) the Conflict Analysis Framework, and (3) Peace and Conflict Impact Assessment: Work in Progress. The following is a quote from the original document on the purpose of conflict analysis.

The purpose of conflict analysis is to ensure that Bank support to a country’s poverty reduction strategy and development programs enhances sensitivity to conflicts and their sources in the poverty-reducing measures, and thus reinforces a country’s resilience to violent conflict.

The “resilience” mentioned here is defined in the same document as “a situation where conflict issues are dealt with through political and social processes rather than through the employment of violence.” In other words, it is the capacity of a society to resist conflict.
The methodology is first to screen conflict using nine factors, and then analyze it using variables grouped into six categories. The six categories are (1) social and ethic relations, (2) governance and political institutions, (3) human rights and security, (4) economic structure and performance, (5) environment and natural resources, and (6) external forces. Both the donor and the recipient countries can expose the factors having a major influence on poverty and conflict through this method. Aid policies that prevent the worsening or resurfacing of conflict can also be created. CAF is at the proposal stage, and many questions remain about using variables as indicators. USAID and DFID are also in the midst of each producing their own conflict assessment methodology, called Conflict Vulnerability Analysis (CVA) or Conflict Assessment. Such conflict assessment is becoming an unavoidable issue in achieving aid effectiveness.

4. The debate in international politics over aid effectiveness and capacity development

In 1996, the world of development politics underwent a major shift. In the Norway town of Utstein female ministers in charge of environment and aid from the United Kingdom, Holland, Denmark, Sweden, and other countries gathered to discuss aid effectiveness. As a result, the members came to a shared awareness that aid effectiveness should be measured by the degree that poverty is relieved. Countries that shared this awareness were called the Like Minded Group (LMG), and concrete policies towards relieving poverty were discussed, one of which was an approach called General Budget Support (GBS). The primary mode of aid until that time had been for the donating country to establish development projects, prepare funding for the project, and then carry it out. GBS does not support individual projects, but is rather a support system for the recipient country’s general budget. The OECD/DAC in European countries generally addresses GBS as shown in Table 1.

Comparing the economic parameters of Southeast Asian and African nations before the full implementation of aid in the 1960s, there is not a marked difference. However, the Southeast Asian countries grasped the necessity of development, and became what was known in

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the early 1990s as the “four tigers.” The African countries, conversely, have been involved in constant civil war to date, and are suffering from poverty. The cause of this difference does not entirely trace back to how aid was provided, but the main donors to Africa were European countries. It is a fact that the Europeans have rethought their approach and are creating new ones in light of this result.

As part of this trend, international development aid frameworks such as New Development Strategy (1996), Comprehensive Development Framework: CDF (1998), Poverty Reduction Strategy Paper: PRSP (1999), Millennium Development Goals: MDGs (2000), Monterrey Agreement (2002), Rome Declaration on Harmonization (2003), and Paris Declaration (2005), have been developed by the OECD/DAC and Multilateral Development Banks (MDBs).

The DAC’s New Development Strategy has fixed its 21st century goals concretely on four points under the title of contribution through development cooperation. The four points are: the meaning of development, economic welfare, social development, and maintaining and revitalizing the environment. However, the methodology has not been addressed. For social welfare, for example, the goal is fixed on reducing the numbers of people living under extreme poverty by half by the year 2015. However, there is no indication as to how this reduction in poverty is to be achieved. As internationally shared awareness, the goal of aid is not economic growth but is clearly defined as the reduction of poverty.

James Wolfensohn, former president of the World Bank, suggested at the 1998 Annual Meeting that a more comprehensive approach should be implemented through a framework of participating in the ownership of the countries receiving aid. This is a summation of the present Comprehensive Development Framework (see World Bank website).

However, there are numerous critical studies about this World Bank-centered endeavor. Regarding Assessing Aid published by the World Bank in 1998, Hermes and Lensink (2001) developed a highly critical stance. The basis for aid effectiveness that the World Bank presented was seen as lacking in any foundation for such a claim, and the basis for judging good governance set forth by the World Bank was sorely criticized as ultimately introducing conditionality.

The Poverty Reduction Strategy Paper (PRSP) is comprehensive and long-term strategy and policy, created by the developing countries themselves in a participatory process, for concretely realizing the reduction of poverty (see World Bank website). After the 1999 Köln (Cologne) G7 summit debate on poverty and debt reduction, the World Bank and IMF of the same year were called upon at their Annual Meetings to create the PRSP for HIPC’s and all countries advanced funds by the Industrial Development Authority (IDA) for the purpose of improving poverty reduction in low-income countries.

Some studies on whether or not PRSP has contributed to poverty reduction have begun to appear. Swallow (2005) examined data from eight areas in ten counties in west Kenya regarding PRSP, and how local problems and priorities were in accord with the PRSP. As a result, it was found that the national PRSP priorities and the priorities of all eighty rural communities
nearly matched. PRSP priorities at the district level and community priorities, as well as the national PRSP priorities and national PRSP implementation plan, were not in accord.

Sobhan (2005) has provided a critical study on PRSP. His work cites the example of Bangladesh, and notes that the catchphrases of PRSP—reforms in the aid dependency system, aid absorption, aid-using governance, and inconsistent government aid policy—are difficult to put into practice. Reasons for this were given as a lack of access to useful resources that would make such reform possible, and nonadjustment to a market economy. His criticism was that such reforms are only achievable through political debate close linked to local communities, and public action. Increasing aid money may alleviate the symptoms, but does fundamentally nothing to solve the problem.

Based on debates held in the 1990s at summits and United Nations conferences, the International Development Goals was established by the UN, OECD, International Monetary Fund (IMF), and World Bank to achieve goals concerned with reducing poverty, improving welfare and education, and environmental conservation. Afterwards, at the United Nations Millennium General Assembly held in Sept. 2000 each goal was expanded. The Millennium Development Goals (MDGs) were adopted with the support of the heads of state of 149 countries (see World Bank website). MDGs have called for the cooperative participation of international society to, by the year 2015, save 300 million people from poverty, prevent the deaths of more than 5.5 million infants, prevent the deaths of more than four million pregnant and parturient women, and enable at least 128 million children to attend elementary school.

The goals established for MDGs were these eight: (1) the eradication of extreme poverty and hunger, (2) achieve universal primary education, (3) promote gender equality and empower women, (4) reduce child mortality, (5) improve maternal health, (6) combat HIV/AIDS, malaria, and other diseases, (7) ensure environmental sustainability, and (8) develop a global partnership for development. The World Bank estimated that to achieve these goals over fifteen years, between forty and sixty billion dollars in additional aid would be required.

In March 2003 at Monterrey, Mexico, the United Nations International Conference on Financing for Development was held. The Monterrey Agreement was adopted there, which sets a nonbinding target for a government’s aid to developing countries of 0.7% of the GNP of industrialized countries. Independent efforts by the aid recipients to improve their investment environments are also sought. The goal of sustainable development to eliminate poverty with the donor and recipient countries in partnership is also called for in the document.

The Rome Declaration on Harmonization restated the commitment of international society to eliminating poverty, and discussed an overview of harmonizing activities taken in the preceding two years, as well as concrete harmonizing activities to follow them. In Annex A signed then, six standards are given: (1) to welcome collaboration in public financial management of the OECD/DAC and MDBs, (2) to reflect on public sector financial reviews closely integrated with the recipient government and recipient poverty reduction strategies using those reviews, donor country aid programs, and the decision-making cycles of both countries, (3) to
acknowledge the importance of simplifying and harmonizing financial reporting and auditing standards, (4) to support the international competitive bidding system agreed to by the MDBs, (5) to enforce environmental policies and methods based on the importance of including social impact in environmental impact assessment and social assessment, and the assessment of that importance, and (6) capacity adjustment of the donor and recipient countries that can handle more than 60,000 development projects.

In this regard the Government of Japan (GOJ) held a preparatory workshop in Hanoi, Vietnam centered on the Foreign Ministry (MOFA), Ministry of Finance (MOF), Japan Industrial Counselors Association (JICA), and Japan Bank for International Cooperation (JBIC). The Japanese fundamental understanding of harmonization was proactively presented in four standards: (1) harmonization itself is not the goal, it is a method for enhancing the effectiveness of development, (2) respect for ownership by developing countries when engaging in harmonizing, (3) the importance of an approach tailored to individual countries in light of their particular circumstances, and (4) the importance of maintaining variety in aid modalities. (see MOFA website)

The Paris Declaration, which was adopted at a High-Level Forum (HLF) in Paris for enhancing aid effectiveness held with the joint sponsorship of the DAC and MDBs in March 2005, consists of three sections titled Statement of Resolve, Partnership Commitments, and Indicators of Progress. The content adds onto the Rome Declaration on Harmonization the responsibility for mutual accountability, improving aid effectiveness in fragile countries, managing for development results, and capacity development. The original statement in the Paris Declaration concerning capacity development follows. (see Aid Harmonization & Alignment for Greater Development Effectiveness website)

22. The capacity to plan, manage, implement, and account for results of policies and programmes, is critical for achieving development objectives—from analysis and dialogue through implementation, monitoring and evaluation. Capacity development is the responsibility of partner countries with donors playing a support role. It needs not only to be based on sound technical analysis, but also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources.

The GOJ called for these points in the Paris Declaration: the importance of recipient country ownership, the importance of capacity development, the consistency in national development strategies, and the importance of monitoring. The GOJ’s point regarding capacity development follows. (see MOFA website)

Capacity development is essential to ensure ownership and leadership of the partner country. Accordingly, it is important that the partner country should first determine
whose and what capacity is lacking, and then on that basis establish concrete goals and measures as development strategies for the partner country. Donor aid should employ an approach that is associated with the capacity development of those connected with the partner country. For example, by securing participation opportunities for those connected with the partner country in each stage of the project cycle, the partner’s needs should be more readily reflected, and learning opportunities provided.

In the debate on aid effectiveness tending towards a standardized aid modality, if Japan proactively emphasizes the freedom and flexibility of developing countries to select their own aid modalities, as well as if through that process the importance of capacity development for the developing countries themselves is emphasized, there will be a renewed need to theorize and strategize aid policies from a wider vantage point, making reference to experiences with Asian development aid, both successes and failures.

The differences between the European approach to development aid, which is like a medical or surgical treatment of illness, and the Japanese approach, which is like the process of raising a child in that support is given towards growth and self-reliance, were underlined in this conference. The term capacity development in its true sense is a formative process for social capacity leading to long-term autonomy. In that sense, the Japanese approach to capacity development would seem to be preferable, and the development of theory and policy along with the concretization of development aid to regions is now sought after.

In the next section, concrete policy making for capacity development will be discussed in light of the discussions thus far on economics, conflict, and international capacity development.

5. Making policy for capacity development

Capacity development has a development concept with a process orientation. It is entirely different from development concepts that start from the traditional “end-of-pipe” concept. “Process orientation” is a term reputed in product management proposed by Shewart and Deming (1960). This concept had a major impact on Japanese corporate management in support of the Japanese economy’s post WWII revival, and is the product management theory that most strongly emphasized Quality Control (QC).

Deming, an unknown teacher at New York University at the time, visited Japan in 1947 at the request of General MacArthur (Wren and Greenwood 1998). He lectured energetically in Japan on the importance of product management based on quality control. This theory became the nucleus of Japan’s economic revival in the form of Total Quality Management (TQM). Shewart and Deming had noted that to improve the quality of products more inspections were not necessary; rather it is more important to produce higher quality products by improving the production process. This is the meaning of the term “process orientation.” That this process orientation has a relationship with corporate performance (higher quality products resulting
in expanded profitability) is empirically proven by Japan’s great post-war economic revival. In academia, McCormack, K. and Johnson, W. (2000) have noted its effectiveness. Deming’s famous fourteen management points were abridged and used as the eight quality management principles noted at the beginning of ISO9000.

The problem-solving process Deming proposed as part of product management, a process consisting of selection, trial, evaluation, and continuance based on the trial-and-error concept, is used in problem solving processes of various fields. A prominent recent example is in computer software development. Traditional software development depended heavily on the ability and creativity of individuals, and was impervious to standardized development processes. Development risk was consequently great, and product lifecycles extremely short. Software development that was innovative, creative, and stable was needed in short order.

The CMM model provided in The Capability Maturity Model (CMM): Guidelines for Improving the Software Process (1994), developed by the Software Engineering Institute at Carnegie-Mellon University, is still in use today as the most common framework for software development management. This model divides software development into five levels of process maturity, and indicators of improvement are given according to these five levels. There was much debate on the effectiveness of CMM, but a conclusion was more or less reached by Harter, Krishnan, and Slaughter (2000). According to that study, a high degree of process maturity is connected to a high degree of product quality, but a greater level of development effort is necessary. In any event, even in a field in which innovation and creativity are indispensable, a process-oriented development framework has been successful.

Process orientation has also had a great influence on the processes in current policy design and assessment.

Figure 1 shows the line-and-end modality of the policy assessment process ordinarily used at present in the US for policy design and assessment (Ryu and Sasaki 2004). This process simultaneously demonstrates the process of social problem solving through policy. The traditional assessment process is literally a cyclic process based on Deming’s trial-and-error system, and follows the sequence of policy formation, policy enactment, policy assessment, and then policy formation. The above assessment process had further improvements included, however, and is not an endless cyclic process. The process is a linear one that concludes when an improved result at a certain acceptable level is attained. For policy assessment limited by time and budgetary constraints, as is true of development aid policy, it is a more appropriate assessment model. The effectiveness of all US policy is assessed according to the Government Performance and Results Act (GPRA) adopted in 1993. There is no Japanese law requiring policy assessment at present. However, the Administrative Evaluation Bureau of the Japanese Ministry of Internal Affairs and Communications conducts limited evaluations of policies. For a number of measures and policies to go into effect, assessment consists only of the degree of achievement by checking if some measures have actually been completed. (see Ministry of Internal Affairs and Communications, Administrative Evaluation Bureau website)
For assessment of the effectiveness of policy, Campbell (1969) proposed models using scientific evaluation, such as the random experiment model. Scientific evaluation was later criticized by Cronbach (1980) in terms including non-exclusiveness influenced by social phenomena, long term large outlays, and ethical constraints. However, no concrete counterproposal was made, and modern evaluation frameworks are based on scientific evaluation. A detailed model has been proposed by Wholey, Hatry, and Newcomer (1994), Weiss (1998), Rossi, Freeman, and Lipsay (1999) and others. Figure 3 shows the model of Rossi, Freeman, and Lipsay (1999), as organized by Ryu and Sasaki.

The line-and-end evaluation model is divided into Program Theory Evaluation, Process Evaluation, Impact Evaluation, Cost-Efficiency/Cost-Performance Evaluation, and the recently noted Performance Measurement, and its overall evaluation has been acknowledged (Ryu and Sasaki 2004). An overall policy evaluation system is in the introduction stages in the main donor countries, including the US. If Japan wishes the effectiveness of its aid policies to be acknowledged internationally, proof of its effectiveness needs to be given according to such an evaluation system.

Figure 2 shows in outline the logic model employed in Program Theory Evaluation (Ryu and Sasaki 2004). In the process followed to enact policy (commitment, activity, result, and achievement), the concept of capacity development has an influence on the commitment stage. This is because committed resource factors are nearly all determined by capacity. To manage and improve this capacity is to improve the quality of the committed resources. In other words,
The advantage of capacity development is that it is not dependent on the excellence of the policies, but is a foundation that can make all policies more effective.

The meaning and effectiveness of process orientation, along with process orientation in the current policy assessment process, have been discussed. Why then can it be said that capacity development has the concept of process orientation? In the case of managing urban level SO2 exhaust, Murakami and Matsuoka (2005) abstracted the capacity factors of each of the three actors—government, firms, and citizens—as policy implementation capacity, countermeasure resource operation capacity, and provision of knowledge and skills, then went on to implement exploratory factor analysis. The range of exploration was limited to government and environmental quality (environmental performance), but factor loadings were computed. The capacity factors of each are a composite of processes created by current performance, and the indicator most likely to have an impact on performance when improved upon was estimated from the factor loadings. From a temporal regression analysis of capacity indicators and the environmental performance (the observed value of SO2 in the atmosphere), it was learned that capacity improvement and performance were in a positive correlation. In other words, the fundamental concept of capacity development is an evaluation of capacity through capacity assessment of management capacity, which is a composite of processes, and the upgrading of performance by improving those capacities.

The capacity assessment researched thus far assesses the social management capacity of developing countries. Through this assessment, an indication is obtained of what kind of aid will be effective to whom within the process from the arising to resolution of social issues. Based on that assessment, policies are selected and carried out during the policy selection process. Development policies are determined based on such capacity assessment, and im-
improvements of performance are made. This is how, in development aid, capacity development is made into policy.

The process of making capacity development into policy has two presuppositions that must be clarified. First, as capacity development advances the bases for performance improvement must be presented both theoretically and empirically. Second, rather than directly supporting performance improvement, the basis for the claim that capacity improvement is more effective must be demonstrated.

The already mentioned study of Murakami and Matsuoka (2005) is an empirical study on the connection between capacity improvement and performance improvement. Not limiting the field to environmental concerns—such as the atmosphere, water, or soil—to express empirically the degree of contribution capacity improvement has on social performance—inclusive of average lifespan, literacy rate, and infant mortality—the first presupposition is stronger. There is the need for further studies expanding the areas studied to countries in the process of developing capacity.

The second presupposition has already been argued regarding a process orientation in the problem-solving process. In the processes of social problem solving through policy, it may be anticipated that a process orientation will also be effective.

Assuming that these two presuppositions stand, based on the results of capacity assessment, the next goal—to elucidate how to fix and arrive at those set capacity levels—is achieved through making capacity development policy. In that event, such programs as the expansion of the relationships between social actors, the quality and quantity of committed resources, the timing of that commitment, and system reforms are presented.

Compared to traditional stand-alone projects, the unique features of programs are: (1) a broader systematic approach to the development of countries, (2) acknowledgement of the mutual dependence of aspects of society, economics, and culture, (3) longer term vision of twenty rather than ten years, (4) harmonization of the development system and process, (5) trust in the capacity of developing countries, and (6) cost reduction through non-duplication of aid (Bolger 2000). Table 2 gives a comparison.

The Sector Wide Approaches (SWAPs) used mainly in Africa in such fields as basic education and healthcare may be considered one kind of program approach. The features of SWAPs are: (1) policy alignment for donor and recipient, (2) efficiency in foreign and domestic resource allocation, (3) emphasis on development partnership with various stakeholders, and (4) emphasis on recipient country ownership (Jones and Lawson 2000).

Compared with traditional stand-alone projects, the above program features are important, but do not satisfactorily define the program.

We define a program as including within its scope the three social actors of government, firms, and citizens, and the three capacity factors of policy and measures, human and organizational resources, and knowledge and technology. We define a project as taking into account only a portion of these. In this sense, the social capacity formation approach, as a form of aid,
Table 2. Comparison of projects and programs

<table>
<thead>
<tr>
<th>Principles</th>
<th>Stand-Alone Projects</th>
<th>Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Ownership</td>
<td>Projects are often supply-led.</td>
<td>Based on locally owned programs, involving a community of stakeholders.</td>
</tr>
<tr>
<td>Donor Coordination</td>
<td>Limited donor collaboration, leading to inefficiency.</td>
<td>A high level of donor coordination, ideally involving all of the donor community, under national leadership</td>
</tr>
<tr>
<td>Partnerships</td>
<td>Projects are often managed directly by executing agencies or project implementation units.</td>
<td>Programs are intended to involve movement towards the use of local procedures and controls.</td>
</tr>
<tr>
<td>Attention to institutional development, governance issues, and civil society participation</td>
<td>Projects attempt to ensure success by establishing project-specific control mechanisms. They thus attempt to bypass, rather than solve, certain institutional weakness.</td>
<td>Attention is brought to bear on institutional, governance, and participation issues necessary to ensure success and the accountability of local institutions to their constituents.</td>
</tr>
<tr>
<td>Results-based Approach</td>
<td>Attention is focused on the success of the projects themselves, even though other conditions necessary to the achievement of development results may not be met.</td>
<td>The focus is on results at the program level such as those identified in the Millennium Development Goals or in the PRSs.</td>
</tr>
</tbody>
</table>


requires a program.

Creating a program for the social capacity formation approach starts from a social capacity assessment founded on the 3x3 matrix of three social actors and three capacity factors (Figure 3). If the issue is pollution, for instance, then first (1) the current capacity of the developing country to handle pollution is made clear; next, (2) a critical minimum needed to shift the SEMS system to an operational mode is established; and then (3) the capacity gap is assessed.

Among the three social actors (government, firms, and citizens) capacity substitution is possible, but among factors, it is not. It is important that, to attain the critical minimum, factors are treated as having complementary qualities. For example, let us assume the critical minimum for pollution measures capacity is: policy and measures 30, human and organizations 50, and knowledge and technology 10. In this case, the capacity apportionment of the government, firms, and citizens in fulfilling the critical minimum for each factor may be plural (substitutability among social actors), but no substitution can be made in the capacity apportionment among the three factors (complementarity among capacity factors). This substitutability among social actors and complementarity among capacity factors for attaining the critical minimum is a crucial point in program-making using the social capacity formation approach.

In light of the above outlined program making, projects function to make up the capacity gap based on the 3x3 matrix. As has already been mentioned, such projects may be program-based projects or stand-alone projects, and these two types are completely different in nature.

Finally, the timing of entry (commitment) and exit points in the above programs and projects will be made apparent by the connection with social capacity development. The relation-
Figure 3. Social capacity assessment and programs

1. Assess the Current Capacity, and Required Capacity to Work Program

<table>
<thead>
<tr>
<th>Factors</th>
<th>Policy &amp; Measure</th>
<th>Human &amp; Organizations</th>
<th>Knowledge &amp; Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gov.</td>
<td>Critical Minimum</td>
<td>Existing Capacity</td>
<td></td>
</tr>
<tr>
<td>Firms</td>
<td>Capacity Gap</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens</td>
<td></td>
<td></td>
<td>Project</td>
</tr>
<tr>
<td>G - F</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G - C</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F - C</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Design Projects which cover the Capacity Gap in each factor level. Capacity can be a complement or substitution among actors.

Figure 4. Social capacity development stages and aid

1. Actor-Factor Analysis

<table>
<thead>
<tr>
<th>SCEM</th>
<th>Policy Measure</th>
<th>Human Organizations</th>
<th>Knowledge Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gov.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firms</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Citizens</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Indicator Development
3. Institutional Analysis
4. Path Analysis
5. Development Stage Analysis

Policy Design

Source: authors
ship between social capacity development stages and aid with consideration given to brown issues is shown in Figure 4.

The system-making stage of a Social Environmental Management System (SEMS) program—one that deals with social capacity and systems—passes through the stages of establishing laws against pollution and organizing the administrative organization when looked at as a system. Organizing environmental information by monitoring pollution circumstances and providing information is an important step in the transition to the system-working stage. The technical cooperation in the form of environmental centers carried out by the Government of Japan (JICA) can probably produce greatly effective aid when it is carried out in combination with the organization of environmental information—the final step of the system-making stage.

When the system-working stage is moving forward in a timely manner, these points are important: management plans to counter pollution by private firms; allocation of human resources and organizational improvement to control pollution; and research, development, and introduction of pollution abatement technology. In the relationship between government and firms these are important: national authentication systems—including pollution control management systems—and binding legislation on pollution control measures for firms, along with funding and financial backing by the government for developing pollution control technology.

The transitional phase when the rate of pollution declines and the pollution levels drop is the timing for the completion of aid (exit point) that aims at the formation of control pollution capacity. Afterwards, there is a shift (graduation from aid) from a relationship of vertical international cooperation to a horizontal international cooperation relationship focused on technological exchange, theoretical exchange, and civilian exchange. Economic and self-sufficiency measures in pollution control are strengthened, and the relationship develops from the system-working stage to the self-management stage.

6. Conclusion

Capacity development is a process-oriented development concept. Process-oriented problem solving processes have a record of successes in every field. This process-oriented development concept has great potential for improving the social problem-solving processes as well. It is true that many issues remain concerning policy making. There are many points that must be made clear, including the correlativity between performance improvement and capacity development, the superiority of programmatic aid over projects, and aid allocation and its basis within the 3x3 matrix. However, the utility of this concept in the international framework was first acknowledged and specifically noted in the Paris Declaration. In order to actualize its great potential scholars should spare no efforts in their studies. The reason is that even now, many people are dying around the world in poverty, and conflict is dragging the world down into sorrowful tragedy.
Addendum

This paper is the product of studies by the 21st Century Center of Excellence (COE) Program at Hiroshima University, COE for Social Capacity Development for Environmental Management and International Cooperation (Shunji Matsuoka, COE leader FY 2003–2007) and the Hiroshima University Partnership for Peacebuilding and Social Capacity (Shunji Matsuoka, principal researcher, FY 2005–2007).

Reference


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