

# ‘Capacity Development’ and Intellectual Capital

May 2010

Satoshi Funahashi

Waseda University, Tokyo, Japan

## Preface

This paper attempts to summarize the research questions and hypothesis for author’s PhD project which focuses on sustainable community development. Nowadays, the emphasis is being paid at the potential change of the focus of the development projects, from individuals, units and organizations to the whole social system. This idea / concept called Capacity development, and is relevant, it shall certainly aims at sustainable community development.

However, it faces significantly substantial challenges and the paper shall address them. The paper also discusses the potential application of the Intellectual Capital (Management) towards sustainable community development. The author suggests once IC(M) for communities intensively aims at the sustainability on top of ‘competitiveness’ of the nation, cities or public service provider, IC(M) will have significant offer bringing more comprehensive, holistic and relevant information when Capacity Development initiatives are implemented.

In this paper, the discussion is made on the development project which aims to improve the human capacity, often called Technical Assistance / Community Development in the area of Education, Health / Water and Sanitation, Livelihood, Governance etc, involving external donor agencies and the host country’s agencies.

## Preface:

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# 1. ‘Capacity Development’, its concept and relevance

## ■ Concept of Capacity Development and its definition

First, the definition by the various aid agencies of the ‘Capacity Development’ is listed as follows.

- Japan International Cooperation Agency (JICA)

Capacity Development is a process in which the developing countries improve their capacity to deal with development goals as a whole system composed with individuals, organizations and the Societies

- United Nations Development Programme (UNDP)

the process through which individuals, organisations, and societies obtain, strengthen, and maintain the capabilities to set and achieve their own development objectives over time

- OECD / DAC

the process whereby people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time

- Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)

the process of strengthening the abilities of individuals, organizations and societies to make effective use of the resources, in order to achieve their own goals on a sustainable basis.

- Canadian International Development Agency (CIDA)

the activities, approaches, strategies, and methodologies which help organizations, groups and individuals to improve their performance, generate development benefits and achieve their objectives

‘Capacity Development’ is nowadays a shared notion in articulating the concept by which the development efforts are taking place. All these agencies see individuals, organizations, and the society as a target. And why it is?

Let’s see how JICA considers why Capacity Development concept is now important to explore;

- In the previous experiences, there were cases that dependency on the expatriate managers / expert was evident and performance of the local managers / experts have not been optimized
- There were cases that duplication of the intervention among different donors for a common development goal was practiced

- Attitude of the managers of host countries has generally been passive throughout the process of the Project cycle under the initiatives led by the donor's managers
- Whilst the cooperation for the common goal as well as for the same target groups has been made with the different donors without coordination, thus duplication has been evident.

Thus the effect / benefit of the cooperation has not been institutionalized in a sustainable manner, this is the core lessons learnt.

## ■ The relevance of the Capacity Development concept

The concept of Capacity Development is relevant in order to bring sustainability for the target group or system. The author shows one example for the community based health system.

The author has been involved in community based health project in three different countries, Senegal (1995-97), Cambodia (1998-2000) and Sri Lanka (2005-2010). For the latter two, in Cambodia and Sri Lanka, the projects were initiated by the Global NGO system whose mission is to address humanitarian needs (hereinafter HS ('Humanitarian Society)).

In almost every country in the world, there is one Society. There is an Umbrella function which is called the International Federation (Hereinafter IFHS). In Cambodia, Cambodian HS was the implementing society, and IFHS was the donor society. In Sri Lanka, Sri Lanka HS was the implementing Society and Japanese HS was the donor Society.

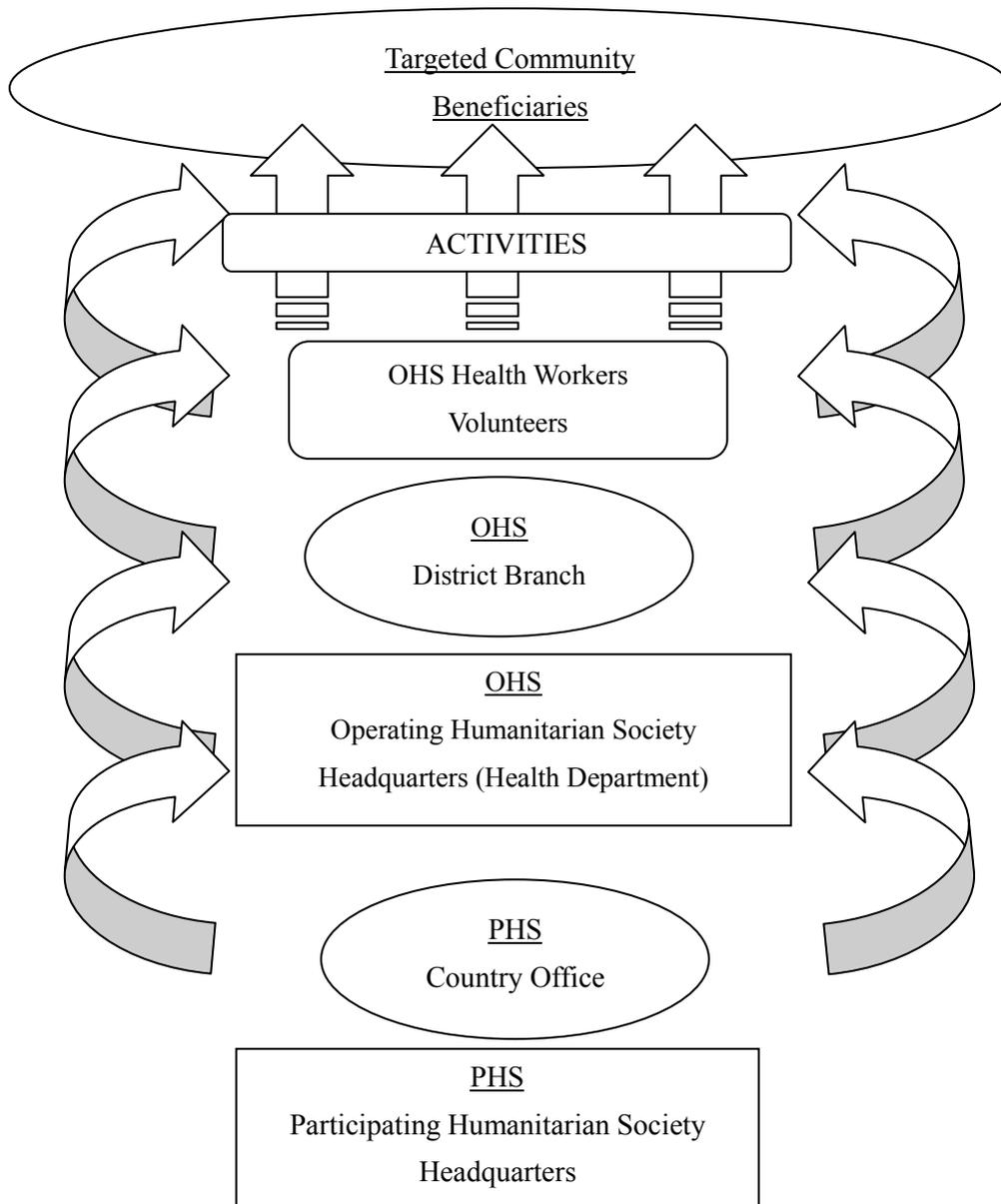
In this way, the donor society is called Participating Humanitarian Society (PHS) and the host / implementing society is called Operating Humanitarian Society (OHS). And the project is implemented in a particular district of OHS and the OHS branch is exactly working for the project, undertaking the activities using a network of a trained HS Volunteers..

Given the structure the success and failure of the project relies on the way how the objective and the target groups is set.

**Figure 1** shows the structure that HS system tends to follow as Community Health Project is planned and implemented. The arrows are the targets of 'capacity building' efforts, they are made as a chain, and made for made for the individuals and units of the organization.

As a result, each individual and the unit shall improve their capacity through training sessions, through implementation of the activities, they shall have improved knowledge and skill for community based health. Actually this refers to a case of failure if we assess the achievements of the project in the view of the degree how sustainability is ensured.

**Figure 1**



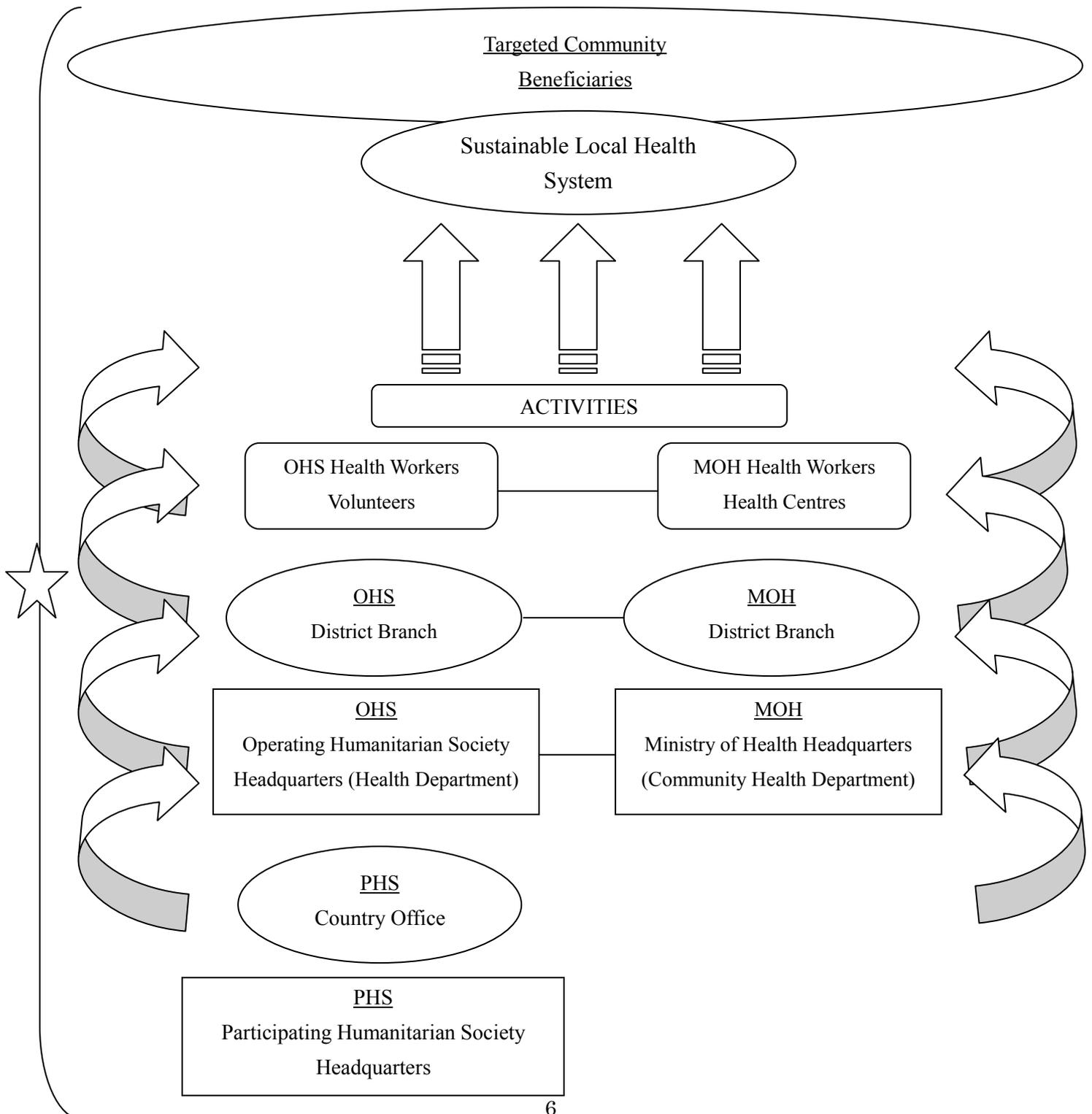
Instead, **figure 2** shows the more comprehensive approach which rarely the case in the HS system. In this case, improved / sustainable health system will be the ultimate objective of the capacity building. HS tends to neglect the existing health services performed by the Government Health Sector, namely the Ministry of Health, HS system tends to become isolated, reluctant to make themselves in the part of the coordination mechanisms.

In the structure shown in figure 1, the HS will be doing **their** activities such as health education, first aid trainings, water and sanitation infrastructure construction, home visits etc. Even they are a passionate, motivated effort, once the project period / project fund is over, we will not be able to significantly improved

health system is in place

However, owner of the health system belongs to the government and the community, not the HS, thus the project should be aiming at the improved Government Health System and HS shall play a role as an auxiliary to it.

**Figure 2**



And ultimately, ☆ refers to the ‘target’ of the Capacity Development initiatives. This includes the whole system, PHS, OHS and MOH all together from headquarters to the branch community.

According to the author’s knowledge + experience, when the project is planned and implemented under the structure shown in figure 2, the likelihood of success (ensured sustainable, improved local health system) is higher, and when under figure 1, this is lower.

As far as the author is concerned, the relevance of the Capacity Development is quite evident, this concept surely enhances the capability of those who are involved in development to bring sustainability, bring sustainable system in the target communities.

## 2. Challenges faced in ‘Capacity Development’

### ■ Need to coordinate the diverse intervention areas

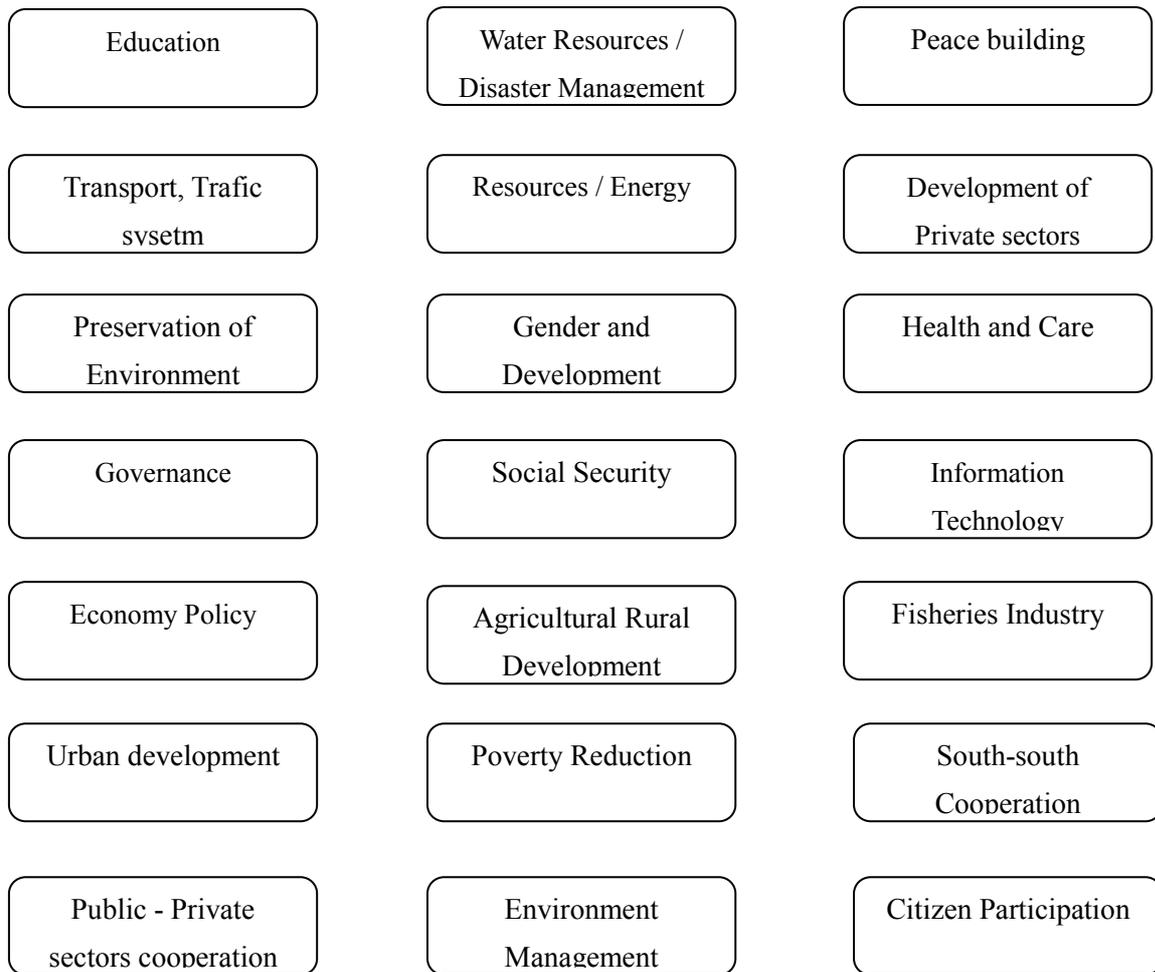
The paper has discussed that the ‘target’ of Capacity Building is covering **different layers and sectors**, non government and government sector.

At the same time, furthermore, target of the Capacity Development shall include individual areas of intervention. Figure 3 shows the list of areas of intervention that JICA describes.

As seen in the list, most of the areas are cross-cutting, they affect with each other.

Education is an example, it has significant things to offer to any other intervention area. Poverty shall be significantly reduced once health situation improves, and health situation significantly improves when access to a safe drinking water is secured.

**Figure 3**



### ■ Requirements for aid agencies and host country's organization

First of all as well as over time, isolation needs to be overcome. The all who are concerned are strongly expected to go out of their own 'comfort zone' which requires certain intended personal effort. As discussed it does over sectors, layers and intervention areas.

The research needs to articulate the requirements needed for the organization in order for them to carry out the projects under the Capacity Development concept. Here, some key points are listed.

#### - Human Resource Management / Development

The managers who are able to assess the capacity of the whole system, let the people overcome the isolation and direct the project towards a sustainability needs to be recruited, educated, trained and maintained. This needs to take place at headquarters, regional, country and district levels.

#### - Knowledge and Information Management

A sophisticated Knowledge / Information management system needs to be designed and functioning in order for the organization to make the decision making adequately and timely.

- Empowerment of the Country / Regional Office

Decentralization is encouraged. Country / Regional office understands the context of the target areas more than headquarters do, substantial decision making authorities shall be decentralized. In the host country's agency, this needs to happen at district branch / office level.

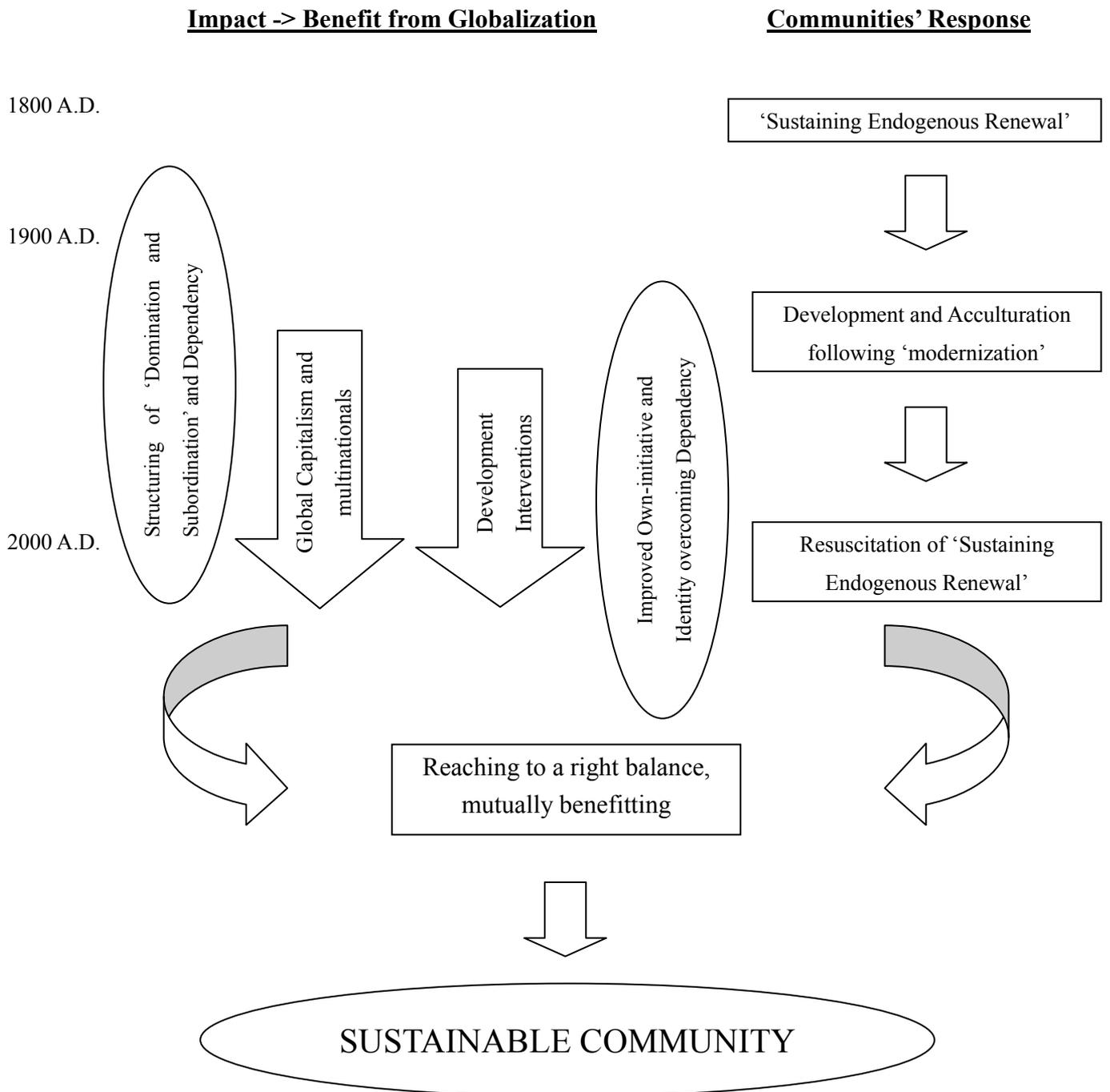
- Shared Strategic Vision of the Sustainable Community

Capacity Development initiative needs a strategic direction which is consistent over time. Author has coined the notion of 'Balanced Endogenous Development' and *the following* and the **Figure 4** is cited from the author's paper at the PhD Consortium in Paris 2009. This shall work as a fundamental as the project to articulate the sustainable system, its contents, scale, mechanism, structure etc.

*In order to increase the sustainability, a cyclical economy with locally manufacturing – consuming structure which is to be best functioning in the local eco system needs to be resuscitated or if necessary needs to be created. When such a endogenous socio-eco system and the benefit / impact from capitalism coexist at the right balance, communities' sustainability will more likely to be ensured. This balanced socio-economic system is no longer independent on the external resources' interventions, it takes the best use of the benefit from them for their own development.*

*Figure 1 shows the brief overview on how community's status have evolved mainly in the 20<sup>th</sup> Century and onwards till today. The notion 'Sustaining Endogenous Renewal' refers to the cyclical economy with locally manufacturing – consuming structure which had been developed over centuries.*

**Figure 4: Sustainable Community at the Right Balance**



## ■ Requirements for the project management

The author suggested the 8 success factors for project management at the 2009 PhD Consortium and the discussion still works for the Capacity Development initiatives. *Following* is the revisit of the 2009 discussion and no. 9 and 10 are added.

*Most of the Community Development Projects have its 'donor' to bring the fund as donation, loan and subsidy etc. and the donor has, for better or worse, to a degree, initiatives, agenda and priorities. There are cases donor's priority does not meet the real community needs. In addition, the project timeframe tend to be short in the light of the required length of time to bring the desired results.*

*The author has accumulated the experience of management of development projects West African country and in South Asia as well. By mobilizing the perception form these experiences, following key eight success factors are presented. According to the author's own experiences, all these eight together must be fulfilled, when even one is missing, then the project will fail.*

- (1) **Donor's consistency and flexibility in assistance:** Donor has to have the consistence and flexibility with its commitment to achieve the goal, to achieve sustainability
- (2) **An achievable and clear set of vision and strategy:** A vision and strategy have to exist and well-articulated, and shared among stakeholders. It must be achievable, must not be beyond the community's and stakeholder's capacity
- (3) **An achievable and doable methodologies and action plans:** A vision and strategy has to be implemented with a sound methodology and comprehensive action plans which is doable.
- (4) **Appropriate allocation of time and resources:** Time and resources must be allocated appropriately, it must be sufficient and must not be excess.
- (5) **Exclusion of organisational / personal self-centred interests:** Unnecessary interventions based on organisational and personal self-centred interests must be excluded.
- (6) **Effective system for sustained performance:** During the project, donor's assistance is within the system to bring performance, and sustainable system needs to be planned and implemented to ensure the same performance.
- (7) **Effective infrastructure environment:** Infrastructure needs to be carefully taken into account in order that the community is equipped with necessary material resources which is lower in cost for maintenance.
- (8) **Effective leadership:** A leadership with a firm willingness to achieve the goal and with a capability to manage the project needs to be in place.

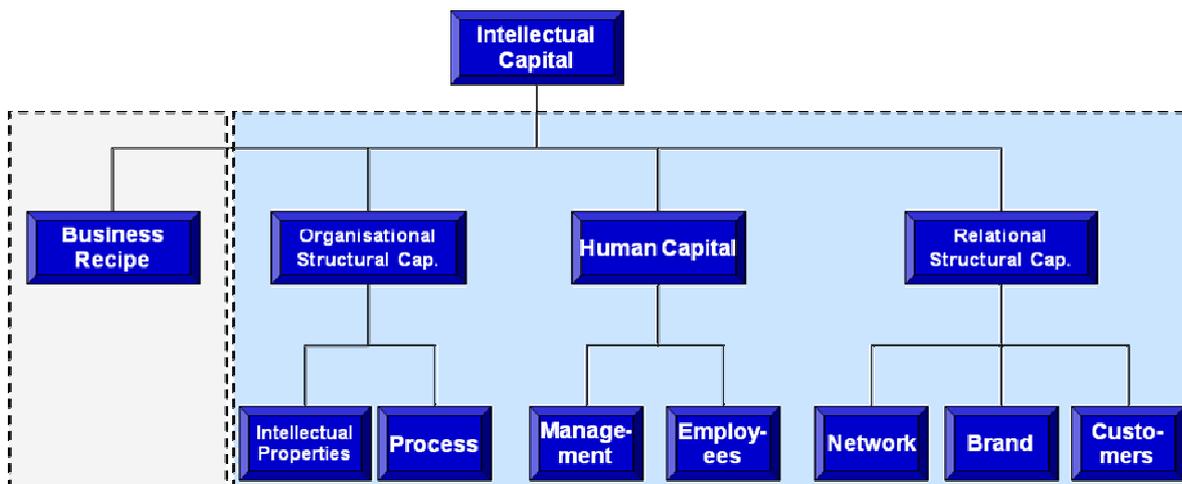
- (9) **Comprehensive Assessment and Feedback:** The capacity of the system needs to be articulated through assessment and the feedback has to be done.
- (10) **Participation from younger / older generation throughout the process:** Younger generation including the children are the ones to succeed the system, and older generation are rich in experience and knowledge which is the resource of the information

### 3. Intellectual Capital and ‘Capacity Development’

#### ■ Key features of IC concept and IC Management intervention

Here is a set of identified components of the organization, prepared by ICAB, basically designed for private companies.

**Figure 5**



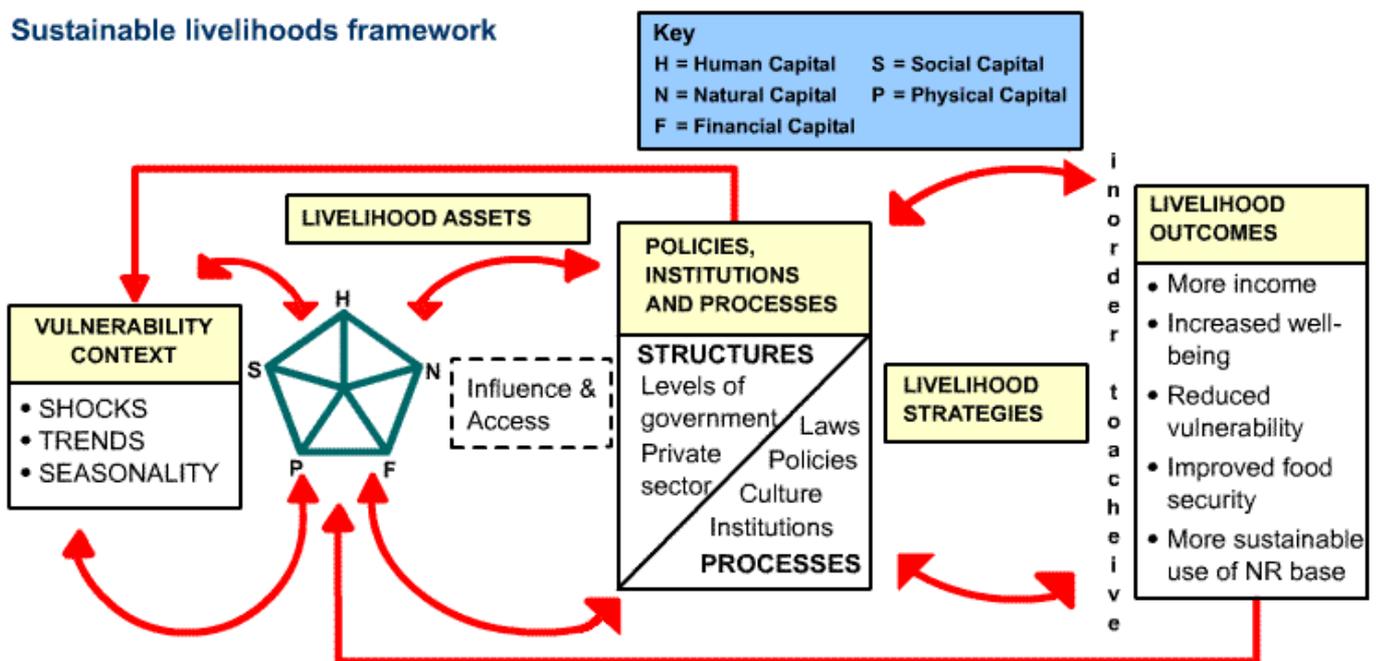
And this is utilized for the assessment initiative called IC Rating at ICAB in Sweden as well as at Actcell Corporation in Japan.

If we look at these components / perspectives which ICAB determined as a source of ‘Corporate Value’ we can see this is very comprehensive and even it is able to assess the capacity not only of the organization itself but of the whole value creation system including customers and networks (under Relational Structural Capital).

Other example that we can see as **Figure 6** is the ‘Sustainable Livelihoods Framework’ prepared by DFID. This is designed to articulate the capacity of the beneficiaries’ community with a comprehensive perspective

The IC Rating projects, through the interviews made with the internal as well as the external resources, are now a sophisticated process which is able to collect information to be used for the firm's executive decision or the strategy setting. The unique thing of the IC Rating project is it brings the strength / hidden capability of the organization which the top management were not aware of.

**Figure 6 : 'Sustainable Livelihoods Framework' (1999 DFID)**



■ **Potential application of IC/ICM at the Capacity Development initiative**

Therefore, the concept of Intellectual Capital and its feature in which the exact strength of the whole system can be articulated is suitably applied for the Capacity Development initiative especially at the beginning of the project when project is planned and budgeted.

At the same time, similar methodology of assessment can also be applied at the middle and at the end of the project.

We need to note, anyway, at the Capacity Development initiative, it deals with / covers the whole system that includes different intervention areas, different sectors and layers and therefore the assessment itself shall be regarded as a project which needs to be planned and budgeted.

## ■ **Intellectual Capital for Community, a proposed research agenda**

The author would like to propose that this emerging research area, *Intellectual Capital for Communities* could, on top of productivity / competitiveness of the nations and cities, seek for the sustainability. More emphasis could be paid for the ‘sustainable endogenous renewal’ (as the author suggested), seeking the right balance with the (impact from) global economy then to come up with the model of Intellectual capital component. This might be a mixture of the ICAB model and the DFID model, however, there are still substantial research is expected.