



The "African growth support" initiative, multi-stakeholder study group
Kick-off meeting minute

Date: 9th April, 2008 (18:30 – 20:15)

Place: GRIPS Room A4

Participants: 15 people with background in government, aid implementation agencies, research institutes, and 6 people from the GDF secretariat participated.

I. Welcome and Introduction

The secretariat welcomed and thanked participants for attending despite their busy schedules. A prepared background note for the study group was circulated. Information and opinions received (by mail) from non-attending participants were shared. Participants welcomed the timing and theme of the study group hoping to better inform their own on-going work for the TICAD IV and beyond.

Terms of reference of the study group

- A platform to identify key policy orientations for future reference in Africa growth policy formulation;
- Meetings will be informal and participation is in personal capacity;
- Including the kick-off on April 9, four meetings will be held between April and July. Subsequent meetings dates will be determined by consensus;
- Non-attending stakeholders will participate via the "af-growth" mailing list;
- Summary of meetings will be uploaded on the GDF's website with anonymity of contribution maintained.

Study group agenda

The following agenda proposed by the secretariat was approved by participants:

- Country selection: to focus Japan's development assistance on a few countries;
- Policy dialogue: conducive environment for long-term policy dialogue;
- Joint drafting of industrial strategy (IS),
- Alignment of Japan's assistance to IS,
- Coordination with other stakeholders.

II. Discussions

Following the introduction, the floor was opened for discussions that broadly revolved around the following issues:

New trend in development assistance

- *New focus on growth:* Participants shared about the "Growth diagnostics" framework. They noted that, as strong proponents of the

framework, the World Bank and the DFID have experimented with it in a number of countries including Africa. While on the one hand participants noted that the methodologies of the framework are not yet universally accepted, raising questions whether there really is substantial new thinking or whether it is just another rhetoric; on the other hand, they noted that work such as the Ishikawa report (Vietnam), the Indonesia economic report, and others could be characterized as earlier versions of "growth diagnostics".

- *Donor coordination:* Participants acknowledged the increasing consensus amongst donors to coordinate their actions to make aid more effective and agreed that as a leading donor, Japan cannot ignore this new trend. Therefore, while it was inevitable for Japan to participate in multilateral initiatives, despite differences in development assistance approaches, such participation should be done in a manner that clearly differentiates Japanese contribution.

Specific issues to be considered for a Japan initiative in Africa

- *Infrastructure development:* While it is widely acknowledged that sustainable industrialization and the provision of physical economic infrastructure should be at the core of economic growth, participants noted that in Africa particular emphasis is placed on transportation networks (roads and railways). While this is welcome, there was agreement that in the past, such infrastructure projects were not always well structured to maximize the economic impact. Therefore, the suggestion that Japan packages infrastructure development as part of a comprehensive development strategy (either sector-specific or entire country);
- *Need for a visible Japan initiative in Africa:* participants concurred that the World Bank and the DFID's approach should not be THE only approach to growth, that it was important for Japan to leave its industrialization footprint in Africa. Therefore the need to come up with a suitable approach to be mainstreamed as an alternative for growth in Africa. Questions of what, when, where and how should Japan respond with such an initiative were raised;
- *The need to act fast:* While participants recognized the need for due process in formulation of a new Africa growth initiative, considering what other donors have been doing (growth diagnostics, international growth center (IGC)) they also stressed on the need to act fast before it is too late.
- *Managing recipient countries expectations:* Considering recipient countries expectation and time required to complete industrialization strategy drafting (2-3 years), participants agreed for the need to convey to the recipient country not to expect quick results. This would be done more effectively with assurances from Japan of the extent of its commitment (figures and outcomes).
- *Challenges to a Japan initiative in Africa:*
 - (i) *Japan's low grip in Africa:* unlike with Asia, not many Japanese experts have in-depth knowledge of Africa, (particularly African industry), in addition, Africa's geography and culture are still remote to Japan;

- (ii) *Return uncertainty*: Because of a difficult history, fragmented markets, and other structural problems, the returns of development assistance (a success story) in Africa are not certain.

Despite there being a certain level of risk for failure, participants recognized the need to increase efforts to sufficiently inform the process to overcome these challenges. To mitigate the risks, participants proposed to use local and international resources (experts and consultants), to promote south-south cooperation (such as Asia–Africa cooperation) to increase effectiveness of the projects, and to work with local researchers to draw up common understandings of local situations in order to adapt best practices.

Learning from Japan’s experience in Asia and elsewhere

- The Ishikawa project (Vietnam): participants agreed a “mini” Ishikawa project (limited resources, scale and scope) could be contemplated for target countries.
- Regional cooperation for infrastructure development: projects such as the Mekong East-West infrastructure development, the Puebla–Panama plan that showcase regional cooperation, could serve as models for Africa.

III. Key policy elements for growth support to Africa

Focus on a few countries

Considering Japan’s own growing constraints, Africa’s diverse conditions and the need to produce a “success story”, participants concurred on the need to be selective in order to ensure greater impact of Japan’s development assistance to Africa. The following selection criteria were discussed:

- Commitment at the highest level of government (President or prime minister) including evidence of a long-term vision, for example vision 2020;
- Potential for regional spill over, regional economic prime mover or countries with economically vibrant coastal regions potential (ports);
- Conducive environment for continuous long-term policy dialogue;
- Joint drafting of industrial strategy (IS), building on long-term commitment from Japan to sustained aid flow;
- Countries with best potentials in sector-specific industries;

Strengthen Japan’s in-country ODA team

Participants agreed on the need to strengthen Japan’s in-country ODA team by dispatching small teams of (two or three) dynamic individuals to work on a long-term basis in recipient countries. These individuals shall conduct aid diplomacy and provide policy advises and be empowered with quick decision making authority (leaving only sensitive issues for consultations with the HQ) to expedite matters in collaboration with the recipient government. They shall be complemented by sector-specific experts (Japanese or non-Japanese) as and when the need for specific expertise shall arise. The long-term nature of these assignments will allow these individuals to understand the recipient country better, and enable them to ascertain the level of commitment of the recipient country’s government.

Joint drafting of industrial strategy

More than the document produced, it is the drafting process that is very important. Whether Japan opts for sector-specific or entire country industrialization strategy formulation will depend on country context. In either case, Japan would align its development assistance for industrialization with identified country needs.

Coordination with other players

Participants recognized the need to (i) draw measures to stimulate private sector participation for sustainable economic growth and to ensure its involvement in the process of industrial strategy formulation, (ii) coordinate with other key donors in the selected country, and (iii) promote south-south cooperation between countries (Asia and Africa) to share in development experience.