



The “African growth support” initiative, multi-stakeholder study group
Fourth meeting minute

Date: 19th June, 2008 (18:40 – 20:30)

Place: GRIPS Room 4A

Participants: 13 people with background in government, aid implementation agencies, research institutes, and 6 people from the GDF secretariat participated.

The 4th meeting was held following the conclusion of the TICAD IV conference (28–31 May). In line with one of the pillars of TICAD IV, namely “Boosting Economic Growth” in Africa, the 4th meeting aimed at concretely discussing the direction and approach necessary to effectively implement the various initiatives in the Yokohama Declaration. On this backdrop, the meeting was opened with a presentation from the Ministry of Foreign Affairs of Japan (MOFA) describing the background and preparation leading to the TICAD IV along with explanation of the various resolutions adopted at the conference. The secretariat followed with a summary of the salient points discussed in the previous three meetings.

TICAD IV Summary

- The TICAD IV was deemed a success, in view of the large participation from African countries (51 out of 53 countries, with – 40 heads of states and governments) as well as participation at the highest level by multilateral and other partner organizations including the World Bank, the UN, the EU and others. In addition, unlike with previous TICAD meetings, the TICAD IV yielded the “Yokohama Declaration” whose commitments are described as proactive by African participants, as it includes very specific, action-oriented initiatives to promote trade and investment to Africa. With this positive outcome, the government of Japan planned to seek for more support for African development issues from its G8 partners at the upcoming Toyako G8 Summit.
- Considering in the past, several commitments to support development in Africa have been made but not materialized, the MOFA and other stakeholders have recognized the need for a follow-up mechanism to ensure that, this time resolutions contained in the “Yokohama Declaration” are fully implemented. In this respect, a secretariat is scheduled for set up in the Africa division of the MOFA with the goal to devise and oversee an action plan for implementation of the “Yokohama Declaration”.
- Participants were also informed (MOFA presentation) that a fact-finding mission, to be conducted at the senior level of government, and comprising politicians as well as business executives (including keidanren members) is scheduled to visit selected African countries at the earliest (tentatively in August or September).

For effective support to growth in Africa

- Participants recognized that, because the trend is towards a much more focused approach to development assistance, it is important that assistance that is provided be effective in bring desired outcome. Therefore, participants agreed for there being a need to devise country-specific assistance programmes including business development programmes such as to combine various components and initiatives to make Japan's assistance more effective. These programmes could be implemented on the back of joint growth diagnostics studies (or policy dialogue) to lead into – the all too important – “self-discovery” by the recipient countries. As an example, the South African government (using its own resources) inviting a Harvard university research team to assist a home grown initiative to identify binding constraints to “shared growth” was cited as a model that could be supported through ODA in countries with similar initiatives.
- With respect to the dispatch of an investment mission, here too, participants argued that ODA being Japanese taxpayers money – contributed with the aim to strengthen friendship with other nations through development assistance contribution – any such dispatch should take into account Japan's strategic interests. Therefore, investment missions should be adequately prepared in collaboration with the recipient countries and involve participation of the Japanese public, private sector as well as academic and research circles to determine the best policy option in selected countries.

Balancing financial assistance and intellectual contribution

- While on the one hand there is commitment to provide Africa with up to four billion US dollars in yen loans within 5 years, on the other hand, participants expressed concern at two levels; first, an excessive capital inflow in countries with unstable macro-economic conditions could worsen the external debt situation and, second considering the current commodity boom and the resulting increase in revenues to resource rich countries, problems such as the Dutch Disease could occur. Therefore participants emphasized the need to provide, along with the funds, knowledge to support industrial development.
- With respect to external debt concern, participants argued for more flexibility to judge countries on a case-by-case basis to account for limitations in the World Bank and IMF's analysis technique that relies on a preset index and can therefore lead to erroneous conclusions (in the index, scenario analysis such as natural resources development is not fully built-in in). For instance, based on the World Bank and IMF's Debat Sustainability analysis, Bhutan would not qualify for financial assistance, whereas if consideration is given to potential for electric power development, the country would qualify.
- Participants agreed on the importance of intellectual support as illustrated by the case of Namibia. A resource rich country that has financial reserves – thanks to the commodity boom – but whose treasury department (Ministry of Finance) expressed incapacity to devise concrete strategies to implement the economic growth (economic white paper). In early June at the World Economy Forum on Africa organized in Cape Town South Africa, the prevailing view from African participants was that of an interest and expectation for support for accelerated

growth and investment promotion (through projects such as MOZAL in Mozambique)

New JICA's to emphasize "high-quality" project cooperation

- Whereas revenues from natural resources as well as pension funds have improved governments finances, there is a crying lack of commercially attractive investment opportunities to invest in and earn a return. Despite their multitude of needs, many governments don't know how to use their increased revenues more profitably. Irrespective of the private sector, public sector, or public-private partnerships, the scarcity of innovative ideas is felt throughout. Participants agreed that in order to come up with concrete high-quality projects there is a need to support human and institutional capacity development including the capacity for undertaking feasibility studies (not only commercial viability but, also project development).
- Participants noted that while traditionally most financing to developing countries is justified by the determination that locally available public funds are insufficient to meet the needs, recent increase in domestic funds availability as well as the new trend of public-private partnerships funds call for a new approach to development assistance. Therefore the need for development partners to get involved from the feasibility stage and provide technical assistance through project completion, maintenance as well as management structure and systems control. Participants hoped the New JICA would adopt such an approach.
- Another bottleneck for mobilizing private finance is the underdeveloped state of the African financial markets. Therefore participants argued for assistance to improve the capacity of the local and regional financial markets which will promote more public-private partnerships. In recent years, various development assistance organizations as well as international organizations have been focusing on development of the African financial markets. In particular, there has been emphasis on development of micro-finance institutions to improve financial services to the poorest segments of society. Here too, besides the need for funds, more should be done to provide knowledge in how to manage these funds wisely. At this point in time, it is not clear idea whether Japan can – at both the government as well as the private sector level – provide such assistance.

"Target country" selection

- Though narrowing selection of "target country" is not preferable from a diplomatic viewpoint, trends in leading countries can be picked from various development initiatives including those that emerged from the recent TICAD IV. Considering the Japanese system and various primary factors on the Japanese side, target country selection may result naturally instead. In the mean time, another approach could be to start with countries that appear to offer the best environment for success.
- It is not imperative that the amount of overall assistance (in financial terms) from Japan correspond to the support to accelerated growth in the recipient country. Moreover, as far as support to accelerated growth is concerned, recipient countries political situation as well as leadership will be important factors to

consider, as it will depend on analysis of specific updated information obtained in the target country. Therefore, participants expressed the need for Japan to dispatch staffs to establish relationships of trust and networks with relevant local authorities.

Continuous policy dialogue with two or more entry points

Types of support:

1. Policy dialogue driven by and incorporating mega-project development (e.g.: infrastructure, resource-based FDI), and aligning various development programmes to it; and) focused project
 2. Policy dialogue and joint drafting of strategies by invitation from a country not initiated by existence of mega-project (in the case of Africa say a "mini-Ishikawa project").
- The setting up of a consortium to include the private sector, the government, researchers, development assistance agencies, learning from lessons of the past policy dialogue experiences (e.g., "Ishikawa project" in Vietnam) could yield a new way to collaborate for effective policy dialogue with recipient countries. In the event of a firm request for policy dialogue from a recipient country, this model could be used for 1 to 2 years to collaborate with the recipient government in a concrete manner to do policy dialogue.
 - In the case when research is undertaken first, more time would be required to produce tangible outcome. It may be rather more effective to focus on a concrete project and pursue policy dialogue around it.
 - While on the one hand, it is important to support industrial strategy formulation to identify and nurture industry sectors with the best prospects (a macro-level approach), on the other hand, an approach where the investment facility aimed at inducing private companies to identify viable industry sectors is also a feasible alternative (a micro-level approach). However the drawback of the latter approach would be to concentrate on the service sector which will not promote the all important manufacturing sector to emerge. In any case, it is important to include information that derives from the micro level into the policy dialogue.
 - Besides the government, other parties such as ESKOM, DBSA, and others (in the case of the southern Africa region) could be considered for collaboration in the project activities, and Japan could participate in such projects if they are judged to be of high quality.

Future work

The secretariat plans to summarize the content of the previous four sessions of the brainstorming discussions in a paper format to be distributed to participants around end of July or early August. After receiving participants' comments, the secretariat will prepare a final draft proposal to be delivered to the New JICA.

In order to include African perspectives to the discussions, a seminar led by Mr. J.D.N. Elumba (secretariat) along with other prominent Africans in Japan is planned to be held on the 25th of July.