



Proposal for a New African Growth Support Initiative



Nov. 27, 2008

Izumi Ohno & Kenichi Ohno

GRIPS Development Forum:

Secretariat for Multi-stakeholder Discussion Group

TICAD IV and the Current Global Environment



- TICAD IV (May 2008)
 - regarded as “departure” from previous conferences, communicating Japan’s serious engagement in Africa and willingness to share East Asian experiences

Yokohama Action Plan (May 2008) – Boosting Economic Growth – Trade, Investment and Tourism – 3. Assist Private Sector Development:
“Support African countries to plan and implement industrial development strategies and policies, drawing on Asian experiences as appropriate.”

- Global financial crisis
 - reminding the importance of strengthening the real economy and industrial competitiveness
 - Japan’s commitment to African development to be tested

Concretizing the TICAD IV Growth Agenda

- Japan must immediately formulate overall and country-specific assistance visions for African development
- ➔ Multi-stakeholder discussion group (April-June, 2008)
- ➔ Workshop to gather African perspectives (July, 2008)
- ➔ **Proposal for a New African Growth Support Initiative (Aug. 2008)**

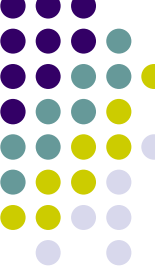
- ✓ Basic principles
- ✓ Incorporating East Asian perspectives
- ✓ Target countries and selection criteria
- ✓ Entry points for Japan
- ✓ Requests for the Japanese government and the new JICA

Basic Principles



- (1) Making a firm commitment to long-term partnerships with African countries, with sustained policy dialogue as a key ingredient
- (2) Selecting a few target countries and producing “success stories”
- (3) Putting Japan’s growth support into the partnership context—mobilizing cooperation by other donor agencies, emerging donor countries, and private sector

Incorporating East Asian Perspectives



- No standard “East Asian model” exists
- It should be the *methodology* (in a broad sense) to design and implement policies unique to each country
- Japan should complement the current international growth support, with East Asian perspectives such as:
 - Continuous policy dialogue for joint strategy formulation
 - Goal orientation with concrete thinking, building on your strengths

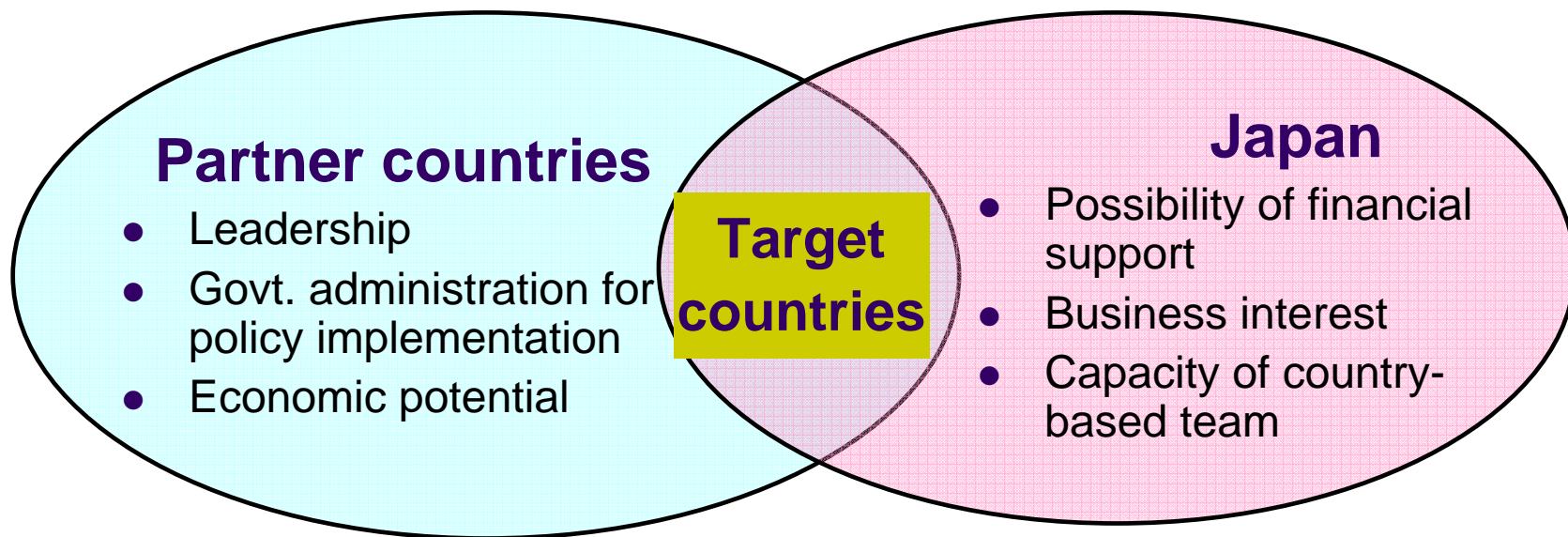
→ **Dynamic capacity development:**

Improve ability through selective hands-on experience — clear goals, focused efforts, trials and errors, cumulative sense of achievement

Select Target Countries for “Success Stories”



<Selection Criteria>



- Prerequisite: macroeconomic and political stability
- Respective TICAD IV pillars could have their target countries.
- “Target countries” do not need to correspond to largest ODA recipients (e.g., no need to be annual Yen loan recipients); *but long-term policy engagement is vitally important.*

Four Entry Points for Japan's Engagement in Africa



- (1) If the country already has valid national development vision, strategies and action plans, **mobilize aid to realize the existing vision**
- (2) If not, engage in **continuous policy dialogue** for self-discovery and strategy formulation (preferably followed by specific ODA and other assistance)
- (3) Build **core infrastructure** and align aid & investments around it through donor coordination & public-private partnership (e.g., development corridors, OSBP, OVOP)
- (4) If the country has attracted (or likely to attract) large FDI projects by the Japanese private sector, **mobilize aid to create an enabling business environment**

(1) Mobilize Aid to Realize the Existing National Vision



The case of Ethiopia

- Ethiopia's industrial vision (ADLI, Ind. Dev. Strategy) and strategies (Leather M/P, etc) are largely valid and clear.
- Donors should support Ethiopia's vision rather than creating a new one.
- Japan has many aid tools for industrial support:
 - Production and technology management
 - Industrial human resource training
 - Efficient logistics and marketing
 - Infrastructure (esp. transport and power)
 - Regional development planning
 - Creating necessary laws, standards, institutions
 - Removing negative impacts of industrialization

(2) Japan's Policy Dialogue with Developing Countries



- **Argentina** – Okita Mission 1985-87; 1994-96 (follow up)
- **Vietnam** – Ishikawa Project 1995-2001
- **Thailand** – *Mizutani Report* for upgrading SMEs and supporting industries, 1999
- **Indonesia** – Continuous Government-Business Policy Dialogue; *Urata Report* for SMEs, 2000; Prof. Shiraishi & Asanuma, 2002-04 (post-Asian crisis)
- **Laos** – Prof. Hara for overall development strategy, 2000-05
- **Myanmar** – Prof. Odaka, 1999-2002 (but failed)

Ishikawa Project in Vietnam

1995-2001



- Communist Party General Secretary Do Muoi requested Prof. Shigeru Ishikawa to study the Vietnamese economy. The bilateral project was agreed between two prime ministers.
- JICA mobilized a large number of scholars and consultants. Prof. Ishikawa emphasized the spirit of mutual respect and joint work (and a lot of patience).
- Topics covered: macro, budget & finance, industry, agriculture, trade, SOE reform, Asian financial crisis.
- Continued dialogue—New Miyazawa Plan (1999), Vietnam-Japan Joint Initiative for improving investment climate (2003-).
- Now under preparation—Vietnam-Japan Partnership for Supporting Industry Development.



Ishikawa Project in Vietnam

Vietnam = Transition economy
+ Underdevelopment

- Tasks:
- Macroeconomic stabilization
 - Structural adjustment (systemic transition to market economy)
 - Long-term development strategy

Advise on the drafting process of the 6th Five-Year Plan

Advice on the implementation issues of the 6th Five-Year Plan, including participation in AFTA/APEC/WTO and industrial policy

Advice on the emerging issues arising from the East Asian crises and the economic integration process

Advice on the formulation of the 7th Five-Year Plan

Phase 1 (95.8-96.6)

- Macro-economy
- Fiscal and monetary policy
- Industrial policy
- Agricultural and rural development

Phase 2 (96.7-98.3)

- Fiscal and monetary policy
- Participation in AFTA/APEC/ WTO and industrial policy
- Agricultural and rural development
- SOE reform

Follow-up Phase (98.7-99.7)

- General commentary
- Fiscal and monetary matters
- Industry and trade
- Agricultural and rural development

Phase 3 (99.9-01.3)

- General commentary
- Fiscal and financial reform
- Trade and industry
- Agricultural and rural development
- SOE reform and private sector development



Joint research (2001-)

- Agriculture and rural development (livestock, vegetable, fruits and industrial crops, etc.)
- Monetary policy under partial dollarization
- Fiscal policy (introduction of personal income tax)
- Trade and industrial policies in the age of integration (NEI I- JICA joint research program → GRIPS-VDE)

Source: MPI and JICA, Study on the Economic Development Policy in the Transition toward a Market-Oriented Economy In the Socialist Republic of Viet Nam (Phase 3) Final Report Vol. General Commentary, 2001, pp.iii-vi.

JICA Vietnam Office, Executive Summary of "Ishikawa Project" Phase 3, March 29, 2002.

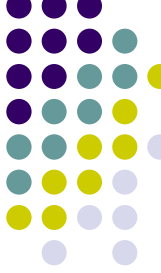
Continuous Policy Dialogue in the Partnership Context



The case of Tanzania (development partnership)

- MKUKUTA (2nd PRSP) – Govt. 's vision for broad-based growth
- Active development partnerships underway
- Japan: focused assistance plan (i.e., infrastructure and agriculture), participating in budget support, co-chairing the Growth Cluster Group, dispatching policy advisers (industrial development, PRSC), etc.
- Active discussions on “growth drivers” (e.g., corridor & port development; special economic zones)
 - ➔ the next step would be to forge consensus on their prioritization with coherency

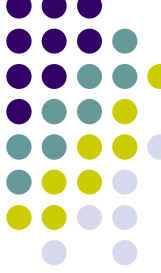
Continuous Policy Dialogue in the Partnership Context



The case of Zambia (South-South cooperation)

- JICA is conducting “Triangle of Hope” Project 2006-09 (improving investment climate), mobilizing a Malaysian expert (ex-MIDA official).
- Task forces organized within GoZ, with the involvement of President
- Investment promotion initiatives – targeted at Malaysia and India
- JICA support to the development of Multi-facility Economic Zone (MFEZ)
- As a next step, Zambia wants Japan to help formulate a long-term industrial strategy.

(3) Japanese Assistance for Core Infrastructure



- **Greater Mekong Subregion** – East-West and North-South Corridors for development of Indochina
- **Thailand** – Eastern Seaboard: creation of industrial zones around a port infrastructure
- **Vietnam** – Highway No.5 (Hanoi – Haiphong Port) for FDI attraction (industrial clusters)
- **Cambodia** – Sihanoukville Port, power and telecom networks, special economic zone
- **El Salvador** – La Union Port + regional development
- **Mozambique** (planned) – Nacala Port and Corridor for regional development

El Salvador: Growth Diagnostics vs. Japan's ODA



- **Hausmann-Rodrik Growth Diagnostics 2003:** The largest constraint in El Salvador is the lack of self-discovery caused by market failure (low appropriability). Infrastructure is not a binding constraint.
- **Local Report 2008 (FUSADES):** Our infrastructure is best in Central America and we are already a regional hub, but we can do even better by handling trade more efficiently. This will raise our productivity and competitiveness. For this purpose, infrastructure, especially *La Union Port*, is essential.
- **Japanese ODA in El Salvador:** Upgrade *La Union Port* as key infrastructure. Additional support for social & HRD, productive sectors, Eastern Region development, and regional integration.



The Vision: Strengthening El Salvador's Position as a Regional Transport Hub

- Airport already a regional hub (built by Japan 28 years ago)
- Central American Highway link
- Pacific-Atlantic link via Panama Canal – El Salvador as a regional feeder
- However, La Union Port is low capacity
 - ➔ Build a new port with sufficient capacity and services



Components of Japan's ODA in El Salvador (ongoing)



KEY INFRASTRUCTURE

- **Construction of La Union Port**
- Rebuilding an old bridge (Honduras border)
- Digital map technology for efficient planning
- Urban development planning for La Union City

Social & Human RD

- MEGATEC La Union (training center)
- Primary schools & math
- Clean water
- Rural electrification
- Solid waste control

Support for Productive Sectors

- SME promotion
- Aquaculture
- Small-scale agriculture
- Reservoirs & irrigation
- Small-scale livestock

Eastern Region Development

- La Union Port
- Plan Puebla Panama
- CAFTA & other FTAs
- Cent. Amer. integration
- M/P for Eastern Region

Build Core Infrastructure and Align Development Programs

Nacala Development Corridor →
(source: CPI, Govt. of Mozambique)



The Case of Mozambique (planned)

Regional development around Nacala port and corridor

- Nacala-Nampula: paved
- Namupla-Cuamba: ODA loan planned (by JICA with AfDB)

(4) Mobilize Aid to Facilitate FDI Projects

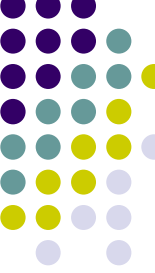


- Using ODA to mitigate risks for private sector investments in Africa (e.g., infrastructure, HRD, CSR)
-- In East Asia, ODA played a catalytic role in promoting Japanese trade & investment.
- New initiative, based on TICAD IV commitment to promote public-private partnerships
- Public-private joint missions to promote trade & investment in Africa (Sept. 2008)
- Follow-up activities by MOFA, METI, JICA, JETRO to conduct preliminary surveys on port and transport infrastructure development (e.g., Ghana, Tanzania, Madagascar)
- New JICA -- the Office for Private Sector Partnership

Requests for the Japanese Govt. and the New JICA



- Build professional teams for intellectual aid -- new alliances among the public, private/NGOs & academic circles
- Build a theoretical basis for growth support with East Asian perspectives and disseminate (i.e., the role of new JICA research institute)
- Devise innovative approaches to facilitate the formulation and implementation of high-quality infrastructure projects (e.g., faster process, link with TC, collaboration with regional development institutions)
- Introduce instruments to support local private sector development (e.g., microfinance, equity investment & guarantees), *to ensure the broader benefits from ODA or privately-financed large-scale projects*



Thank You Very Much !

- For details, please visit the websites of **GRIPS Development Forum**

<http://www.grips.ac.jp/forum/> (Japanese)

<http://www.grips.ac.jp/forum-e/> (English)

- Publication

<http://www.grips.ac.jp/forum/pdf08/PN4.pdf>
(Japanese)

http://www.grips.ac.jp/forum-e/pdf_e08/PN5.pdf (English)

