

## **Mission Report to Germany and the UK (summary version<sup>1</sup>)**

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We visited Germany (Bonn, Eschborn, Frankfurt) and the UK (London) during July 28 to August 6, 2009 and had precious opportunities to meet policymakers, practitioners, and researchers in the areas of development cooperation in the two countries. The purposes of our mission were to: (i) update our knowledge of international development debates, especially on growth strategies and donor support; (ii) gather information on the German and British approaches to industrial development and public-private partnership (PPP); and (iii) introduce our policy research activities, including industrial support in East Asia (especially, Vietnam) and Africa (especially, Ethiopia)<sup>2</sup>. In addition, in Germany, we met the officials involved in bilateral cooperation to Ethiopia (largest bilateral cooperation in Germany) and presented the Japan-UK Report, featuring *Diversity and Complementarity in Development Aid: East Asian Lessons for African Growth* (published by GRIPS Development Forum, February 2008)<sup>3</sup>.

The mission had a series of meetings with the BMZ (Federal Ministry of Economic Cooperation and Development), GTZ (German Agency for Technical Cooperation) and GTZ IS (International Services), DED (German Development Service), CIM (Centre for Migration and Development), InWent (Capacity Building International), SEQUA (Foundation for Economic Development and Vocational Training), and GDI (German Development Institute) (in Germany), and the Department for International Development (DFID) and the International Growth Centre (IGC), located in the London School of Economics (LSE) (in the UK).

We had productive discussions and received inspirations from both German and British partners. We would like to express our sincere appreciation to all of them who kindly provided support to our mission. The visits to Germany and the UK provided valuable opportunities for us to assess objectively the Japanese approach to industrial development and PPP (which have been extensively implemented in Asia), from comparative perspectives of those of Germany and the UK, and to gain insights of how Japan should formulate and implement its enhanced growth support in Africa, where Japanese presence (both ODA and business activities) is yet limited. Furthermore, we were pleased to discuss

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<sup>1</sup> The views expressed in this report purely belong to the mission members. They do not represent the views of JICA or GRIPS. Although we had extensive discussions on German development cooperation in Ethiopia, the summary primarily focuses on generic issues.

<sup>2</sup> This mission is part of the larger study on "International Development Strategies and Japanese Growth Support Approach," financed by the JICA Research Institute.

<sup>3</sup> GRIPS Development Forum, *Diversity and Complementarity in Development Aid: East Asian Lessons for African Growth*, 2008. <http://www.grips.ac.jp/forum-e/D&CinDA.htm>

and identify a set of issues where research and operational collaboration with German and the British partners might be pursued, especially in the areas of industrial development and East Asian development experiences.

The following summarize our reflections and findings of the mission.

## 1. Overall Issues

***No single model for growth support:*** Germany and the UK have put sustainable growth one of the highest priorities in their development cooperation to developing countries. In doing so, both countries share the need to go beyond the “Washington Consensus.” At the same time, the two countries take different approaches to growth support. On the one hand, the UK takes the “market development approach” with attention to market functions and the business environment. On the other hand, Germany takes “multi-level approach,” paying attention not only to the investment and business climate (macro-level), but also to industrial structure, skills and labor market, players of the market economy such as business associations and firms (meso- and micro-levels).

Approaches and instruments for growth support reflect the historical evolution of the society and the economy of each donor country. The German approach has real-sector orientation and mobilizes pragmatic instruments, and we have found a lot of similarities to the Japanese approach (although their instruments and actors are not identical). In our views, unique features of German development cooperation in industry and private sector development are: (i) close interaction with the private sector, in particular, the role played by the chambers of commerce and business associations, and (ii) the emphasis on employment creation, supported by TVET and labor market linkages. Japan also has a variety of instruments to support industrial development based on its own catch-up experiences in the past, such as *kaizen* (Japanese management system, based on continuous improvement through the involvement of the entire workforce), *shindanshi* (Japanese business management consultant system), to name a few. On the other hand, being a global financial center, the UK has developed sophisticated financial instruments to mobilize private sector resources (both funding and knowledge, expertise) for development. Through financial innovation and engineering, the UK has been playing a prominent role in pushing the private sector to accelerate the development/deepening of markets of relevance to the poor. We believe that both approaches are useful, and it is important to apply and combine these instruments according to country-specific situations. They should be viewed as complementary, not exclusive.

***Different implementation approaches to growth support and PPP:*** Although the more in-depth analysis is needed, we have found that Germany and the UK also differ in their approaches to implementing growth support. Once country assistance strategies and sector strategies have been formulated, DFID is less directly involved in the implementation on the

ground, using country systems (typically budget support), Challenge Funds, multi-donor facilities and international systems, etc. In doing so, DFID aims to making the country or international system work for effective aid delivery. In Germany, executing agencies (GTZ, KfW, DED, CIM, SES, InWent, SEQUA etc.) are made responsible for delivering aid on the ground, guided by the policy framework of the BMZ. Particularly in the case of technical cooperation, each agency supports capacity development at the organizational and individual levels, building on respective stakeholder relations (e.g., experts, chambers of commerce, TVET centers).

Since the late 1990s, Germany and the UK have been promoting PPP and accumulated important experiences. Through PPP, both countries intend to share initial risks with the private sector and help kick-start sustainable pro-poor businesses (that might not happen without ODA funds) in developing countries. Nevertheless, we have found some differences in their PPP approaches. As noted in the above, DFID uses Challenge Funds, which offer grants to businesses on a competitive basis, in order to help cover part of the cost (up to 50%) of getting new commercial ventures going. DFID contracts out fund management to the private sector, and an independent assessment panel is set up to make funding decisions. Examples of Challenge Funds include: Financial Deepening Challenge Fund (FDCF, 1999-2007), Business Linkages Challenge Fund (BLCF, 2000-08), African Enterprise Challenge Fund (AECF, 2008- ), Food Retail Industry Challenge Fund (FRICH, 2007- ). DFID does not have preference to the nationality of companies.

Germany (BMZ) revised the initial PPP approach last year, and since January 2009, has been implementing PPP under the new framework, called “DeveloPPP.de.” This revision was built on the review of the past 10-year experiences of PPP. We were impressed by the depth and extent of serious discussions that took place among various stakeholders to enhance German PPP approach. Highly debated issues include: selection procedures of PPP projects (competitive bidding vs. case-by-case approach), subsidiarity and additionality (in contrast to subsidies) as criteria for using ODA fund to support core business activities, a possibility of alliance with lead firms, need for flexibility (e.g., quick decisions, potential trade-off between the goals of supporting private sector-driven initiatives and the general tendencies for raising aid effectiveness by concentrating on certain focal areas) <sup>4</sup>.

New elements under “DeveloPPP.de” are the introduction of proposal competition and greater clarity and transparency in the eligibility criteria and appraisal process (especially,

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<sup>4</sup> The 10<sup>th</sup> International Business Forum, organized in 2005 by InWent, World Bank Institute, UN Global Compact, and Niethos Brazil, contributed to addressing some critical and sensitive issues arising from PPP (multi-sector partnerships). The Report “Fighting Poverty: A Business Opportunity” contains useful perspectives for Japan to design its own PPP approach and criteria. We also understand that the GDI carried out an assessment of German PPP approach based on comparative analysis of the UK and Danish approaches. The results of the GDI evaluation were discussed with the ministry and agencies concerned (e.g., BMZ, GTZ) and incorporated into the current “DeveloPPP.de” framework.

ideas competitions). Under the previous framework, PPP proposals were examined by responsible executing agencies (i.e., GTZ for technical cooperation, DEG for investment finance, SEQUA for TVET) on a first come, first serve basis. German PPP approach continues to target German and European companies and their subsidiaries in developing and transition countries and emerging economies (except for GTZ's PPP Africa Facility, which targets Africa-based companies). It also retains room for a case-by-case approach and joint project formulation by business and executing agencies (especially, for Strategic PPP alliance, and the detailed project design stage in the case of idea competition and innovation competition). GTZ, DEG, and SEQUA are responsible for project appraisal and joint formulation of detailed project design (for those proposals that passed the initial selection).

In growth support, Japanese development cooperation emphasizes industrial structure, skills and labor market, players of the market economy, as well as capacity development and implementation on the ground. The GRIPS Development Forum, in our past publication, compared the Western and Japanese development approaches, by contrasting “framework approach” (which focuses on the framework of an economic system and its management) vs. “ingredient approach” (which focuses on an economy as the sum of its ingredients or component parts)<sup>5</sup>. In this light, Germany appears to share more similarities with Japan (compared to the UK). Nevertheless, differences also exist. For example, German development cooperation takes a systemic perspective and addresses different intervention levels (“multi-level approach”), focusing on the inter-linkages between the regulatory framework (at the macro level), the institutional environment (the meso level), and inter-firm relationship (the micro level) as a basis of the competitiveness of an economy. Japan may wish to make greater efforts to link its meso- and micro-level support to the macro-level. Moreover, German ministry and agencies seems to be more exposed to international competition and debates than Japanese counterparts. For example, in terms of technical cooperation, German agencies (GTZ, DED, CIM, InWent, SEQUA, etc.) recruit experts and companies from EU member countries, as well (not limited to German nationality). GTZ IS (consulting service department of GTZ) provides services to world-wide partners. As a member of EU, there is keen awareness among BMZ and most of the executing agencies of the nature of debates taking place at the OECD DAC, for example, on the aid effectiveness issues (Paris Declaration (2005), Accra Agenda for Action (2008)). We have observed such awareness in the most of agencies concerned.

The table below provides a rough comparison of growth support and PPP approaches among Germany, the UK, and Japan. In our view, Germany falls on the middle ground between the UK and Japan.

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<sup>5</sup> GRIPS Development Forum (2008). This terminology was originated from Toru Yanagihara, “Development and Dynamic Efficiency: “Framework Approach” versus “Ingredient Approach” in Chapter 4, *Japanese Views on Economic Development: Diverse Paths to the Market*, edited by Kenichi Ohno and Izumi Ohno, Routledge, 1998.

### Comparison of Growth Support and PPP Approaches

	The UK	Germany	Japan
Growth support approach	<ul style="list-style-type: none"> <li>• “Framework approach” or “market development approach” (focusing on market functions and competitive environment)</li> </ul>	<ul style="list-style-type: none"> <li>• “Multi-level approach” which combines “framework” and “ingredient” approaches.</li> <li>• Social and Ecological Market Economy, as basic concept; interested in industrial policy.</li> </ul>	<ul style="list-style-type: none"> <li>• “Ingredient approach” (focusing on industrial structure, skills and infrastructures, capacity development of key actors of the market economy).</li> <li>• Interested in industrial policy.</li> </ul>
PPP approach	<ul style="list-style-type: none"> <li>• Challenge Funds (proposal competition, fund management delegated to the private sector); no target on the nationality of companies.</li> <li>• Emphasis on procedural transparency and low transaction costs for DFID.</li> <li>• Established criteria for using ODA for supporting business activities.</li> </ul>	<ul style="list-style-type: none"> <li>• “DeveloPPP.de,” based on the revision of the 1999 PPP approach. Combination of proposal competition and case-by-case, joint project formulation with companies; targeted to German and European companies.</li> <li>• Established criteria for using ODA for supporting business activities.</li> </ul>	Under consideration (In Asia, PPP has worked spontaneously—tripartite partnership among ODA, trade and investment.)
Implementation approach	<ul style="list-style-type: none"> <li>• Aid delivery, primarily through country system and international system under the DFID country assistance/sector strategies.</li> <li>• Budget support aims at building the entire country system.</li> </ul>	<ul style="list-style-type: none"> <li>• Aid delivery by various executing agencies under the overall policy framework of BMZ.</li> <li>• Technical cooperation (esp. GTZ) aims at capacity development at the different levels (macro-meso-micro), by directly mobilizing experts.</li> </ul>	<ul style="list-style-type: none"> <li>• Aid delivery by executing agencies under the overall policy framework of the government.</li> <li>• Technical cooperation aims at capacity development, primarily at the organizational and individual levels (meso-micro), by contracting consultants and experts.</li> </ul>

Based on such observation, we would like to note that: (i) there exists ample ground for complementary between British and Japanese development cooperation to growth support, base on the principle of diversity and complementarity; and (ii) Japan and Germany could

collaborate to synthesize and eventually disseminate their approaches to growth support in the international development community. Regarding PPP, Japan has been for decades practicing public-private partnerships in many East Asian countries. It is widely accepted that Japanese ODA in East Asia—mainly in the areas of infrastructure and industrial human resource development (loans, grants and technical cooperation)—has played a catalytic role in inducing trade and investment of Japanese private sector, and thus contributed to the “East Asian Miracle.” The Ministry of Economy, Trade and Industry (METI) views such tripartite relationship among ODA, trade, and investment as the “Japan ODA Model.” But, Japan faces challenges of extending such model outside Asia, where the presence of Japanese ODA and business is less prominent. To this end, Japan needs to make more conscious and systematic efforts to design PPP approach by examining risk sharing arrangements between the public and private sectors. In this sense, Japan can and should learn from the PPP experiences in Germany and the UK.

***Strategic partnerships with emerging countries:*** We have observed that both German and the UK are actively engaged in building new partnerships with emerging countries (BRICs), China in particular. For example, the GDI has started strategic network building with anchor countries designated by BMZ. DFID retains its country office in Beijing, for the purpose of continuous country engagement, even after China graduated from British development cooperation. This might be partly driven by their concern that the era of G8 is coming to an end, urging the advanced European countries to explore new global governance arrangement under the G20 framework.

## 2. Germany

***“Social and Ecological Market Economy” as key concept of German development cooperation:*** In Germany, development cooperation draws upon a successful development model of post-war “German Miracle”, as well as long-standing German and European tradition of economic and social policy design. The BMZ’s recently announced principles of “the Social and Ecological Market Economy”<sup>6</sup> are firmly based on German and European value and policy (“the Social Market Economy”), which seek to create a balanced social partnership among individuals, firms, business associations, trade unions, and civil society etc. German researchers have consistently argued for “systematic competitiveness”, even at the time when the structural adjustment policy had dominated the development agenda. They hold views that the structural adjustment policy neglected the role of intermediary institutions and suggest that greater attention be paid to the different levels of the economy (individual companies, specific institutions, and the regulatory framework). In our meeting, the GDI researchers also stressed the role of industrial policies in low and lower-middle income countries, arguing that the World Bank’s the Doing Business approach

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<sup>6</sup> “Social and Ecological Market Economy: Principles in German Development Cooperation Policy,” BMZ Strategies 158, July 2007. See also, *The Social and Ecological Market Economy—A Model for Asian Development?*, GTZ, May 2008.

is not enough<sup>7</sup>.

**Fragmentation or diversity?:** Like Japan, the German system for development cooperation is complex at first sight, because a number of agencies are involved in aid delivery. In this regard, many German professionals whom we met showed strong interests in new JICA, which was established in October 2008 through the merger of previous JICA and ODA loan operations of previous JBIC. Although it is often noted that a single agency model (like DFID) might be more efficient in aid delivery and ensure policy consistency, we believe the need for paying attention to the historical aspects and societal factors that form development cooperation in each country. We think that bilateral development cooperation is closely linked to respective country experiences and history. It is important to assess their proper roles and expertise, rather than just looking at the formality of institutional set-up. Having met various German actors involved in industry and private sector development, we feel it is this diversity that brings development cooperation closer to domestic constituencies. Such perspective should deserve receiving attention, particularly in the case of growth support, where close interaction with the private sector is essential.

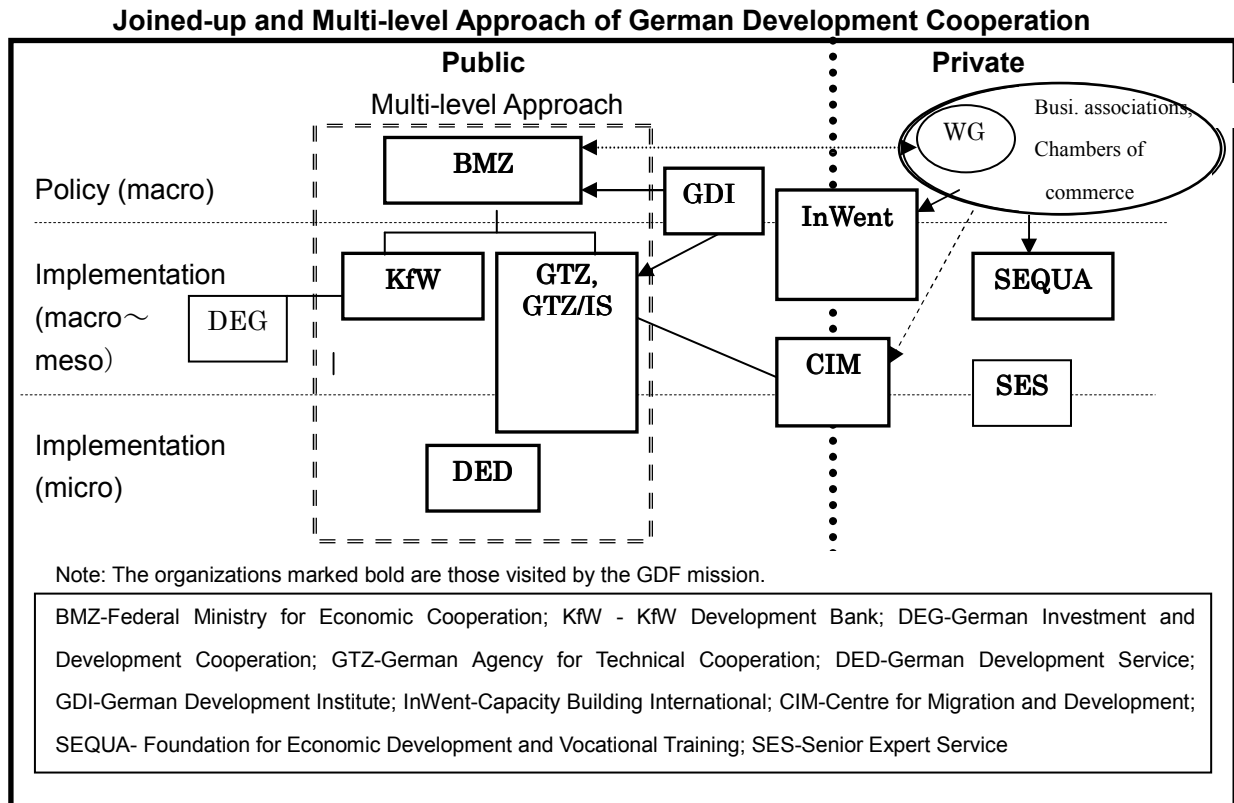
In Germany, many agencies participate in development cooperation under the overall policy framework established by BMZ. BMZ decides partner countries and focal areas of cooperation, country assistance strategies, sector policy and strategies (e.g., “social and ecological market economy”, PPP approach and criteria); and various executing agencies (GTZ, KfW, DED, CIM, SES, InWent, SEQUA, etc.) are responsible for delivering development cooperation on the ground, building on respective expertise and comparative advantages. We have found that BMZ policies and strategies are broadly understood among the executing agencies.

We have also found that various agencies participate in development cooperation, building on respective stakeholder relations. For example, DED mobilizes and dispatches technical experts (advisors) in TVET, small and medium enterprises (SMEs), and microfinance, based on its long experiences. CIM is a joint operation of GTZ and the International Placement Services of the Federal Employment Agency, and plays a role in linking the labor market (German and European labor markets and *diaspora*) by recruiting “Integrated Experts” and “Returning Experts” for the line position of local organizations. Having the private sector as a shareholder, SEQUA and InWent have strong networks with SMEs, business associations and TVET centers. We believe that such institutional diversity provides room for making development cooperation an integral part of the German society. Compared to Germany, Japanese development cooperation tends to be isolated from domestic constituencies, leading to a weak basis of public support. Therefore, it might be useful for Japan to analyze more deeply the institutional arrangements and key actors of German development

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<sup>7</sup> UNIDO-GTZ-BMZ Creating an Enabling Environment for Private Sector Development in Sub-Saharan Africa, 2008 (authored by Tilman Altenburg and Christian von Drachenfels).

cooperation, especially in light of how they are linked to domestic constituencies (such as businesses and civil society). As the figure below shows, it is our observation that the German ministry and agencies are jointly taking “multi-level approach.”



It appears that the aid effectiveness debates and the nature of discussions at the OECD DAC have been broadly shared among BMZ and executing agencies. The majority of the professionals we met made reference to the Paris Declaration and the Accra Agenda for Action, and explained how these debates might affect their aid delivery. In Germany, the extent of awareness seems to be much broader and deeper than that in Japan.

In this regard, we were pleased to know that our Japan-UK Report *Complementarity and Diversity in Development Aid—East Asian Lessons for African Growth* had attracted interest among German professionals in development cooperation (especially, GTZ). We have received inspirations from meetings at GTZ, DED and GDI, which discussed: (i) the importance of providing opportunities to developing countries to make “informed choice” based on policy multiplicity; (ii) the importance of “Think Together” approach and patience in joint policy formulation (with reference to Japan’s experience in the “Ishikawa Project” in Vietnam and the “Vietnam-Japan Joint Initiatives to Improve Business Environment with a View to Strengthen Vietnam’s Competitiveness”); (iii) the need to re-balance policy content against excessive procedural (managerial) harmonization; and (iv) the issues associated with the rigidity and inflexibility on the ground when extreme “division of labour (DoL)” has been pushed for. We think that these issues should be analyzed and disseminated, ideally,



jointly by Germany and Japan, which are the donors with extensive field-based experiences in growth support and private sector development.

***The role of GDI in bridging policy and research:*** GDI has been engaged in a broad range of research and training activities—academic research, policy proposals, commissioned studies (not only from BMZ and German agencies, but also from other donor agencies), training of young and mid-career professionals for German development cooperation, and strategic network building with emerging countries. It appears that GDI, through these academic and practical activities, serves as an important intellectual hub linking research, policies, and practices in German development cooperation. For example, the evaluation of the previous PPP framework was conducted by GDI, which has led BMZ to establish new DeveloPPP.de. It also seems that the concept of “social and ecological market economy” and German approach to sustainable economic development have been intensively discussed among BMZ, GDI, GTZ and other agencies concerned. The role and functions of GDI should provide important insights for how Japan should organize its policy think tanks, especially, in the area of development cooperation.

### 3. The UK

***Strong political and public support to international development:*** We were impressed by strong political commitment to international development in the UK. Despite the very difficult fiscal situations under global financial crises, there exists firm national consensus on and public support to increasing the ODA budget to 0.7% of GNI by 2013. The latest DFID White Paper, *Eliminating World Poverty: Building our Common Future* (published in July 2009) begins with Prime Minister Gordon Brown’s message, reiterating the government’s commitment to keeping promises even in a downturn, i.e., increasing the ODA budget to contribute to the achievements of the MDGs. To this end, the 2009 White Paper emphasizes interdependence between developing countries and the British public and argues that development cooperation is not only the moral imperative of poverty reduction, but also a partnership to pursue a common interest. The key themes of the 2009 White Paper are: (i) growth (especially, resilient and inclusive growth, and greener growth); (ii) climate changes; (iii) and peace building; and (iv) active engagement in the international system. While these themes are not new for DFID, the White Paper stresses that the recent changes in the global economic and social environment require stepped-up efforts for international development.

***The role of the newly created IGC in growth research:*** Based on our meetings with DFID and the IGC management team and researchers (located at the LSE hub), we have learned that the IGC research activities are organized into three components: (i) country-driven research and policy engagement; (ii) basic research (cross-cutting issues; not country-specific); and (iii) global networking on growth. The three are interconnected, and they aim at providing developing countries demand-led policy advice based on frontier

research. Regarding (i), both DFID and IGC researchers stated that their methodology will not be limited to the “growth diagnostics” approach (HRV model) and that they intend to seek world-best knowledge. In Africa, the IGC is preparing their research activities in Tanzania, Ethiopia, and Ghana and will start working in 9 countries by April 2010 (and eventually 15 countries, primarily in Sub-Saharan Africa and South Asia).

***East Asian perspective as a key element of Japan-UK partnership:*** In the future, DFID plans to focus its bilateral cooperation on Sub-Saharan Africa and South Asia. Therefore, it is quite likely that DFID’s overall research (conducted by the newly created Research & Evidence Division, under the Policy & Research Directorate) and the IGC research activities will be guided by this general direction. At the same time, many African countries have shown strong interest in the East Asian development experiences, which attained shared and sustainable growth. Given potentially high demand for the East Asian experience and Japan’s deep involvement in this region, Japan should be actively involved in making intellectual contribution to African growth support, incorporating the East Asian perspectives. Such intellectual support will be complementary to the UK’s ongoing efforts.

#### **4. Way Forward—Implications for Japan’s Development Cooperation and GDF’s Research Activities**

We were very much encouraged by great interest expressed by both German and British researchers, policymakers and practitioners in the JICA-GRIPS project on industrial policy support in Ethiopia, as well as the concept of our report on *Diversity and Complementarity in Development Aid*. Certainly, it is not possible for us to follow up all the activities by ourselves; but we would like to explore a possibility of continued collaboration with German and UK partners in (some of) the following areas, in consultation with interested parties in Japan.

***Industrial development strategy and private sector development in Ethiopia (collaboration with Germany agencies and the IGC):*** Under the ongoing JICA/GRIPS project on industrial policy support in Ethiopia, we would like to pursue possible collaboration with Germany—especially with GTZ which coordinates 9 German agencies as a focal agency for the Engineering Capacity Building Program (ECBP)—e.g., by incorporating the German perspectives of the current industrial development strategy, based on their ECBP work, promoting mutual learning of respective instruments of industrial support (e.g., comparing benchmarking or business re-engineering with Japanese management tools such as *kaizen*).

We would also like to examine a possibility of collaborating with the IGC in the area of industrial development. The forthcoming Africa Growth conference (to be co-hosted by the IGC, AfDB and AERC) in Addis Ababa on November 10-11, 2009, may serve as a useful opportunity for JICA/GRIPS team to interact with the IGC’s Ethiopia country team and

researchers interested in African growths. We will consult with JICA and IGC a possibility of our participation in this conference.

***Mutual learning from respective research activities (collaboration with the GDI, the IGC, and DFID's research team):*** It appears that there exists ample ground for mutual learning among German, British, and Japanese researchers. The three countries have respective views on how the market economy works and how the government and external partners could support industrial development in less developed countries. GDI researchers are actively engaged in research and advice on industrial policy, and also interested in the topic of developmental states. Given some commonalities observed in the development cooperation by Germany and Japan, we consider it meaningful to further promote mutual understanding of respective development thinking and approaches to industrial development, and (if appropriate) jointly disseminate their thinking and approaches to the international aid community.

Since the UK will decrease its direct engagement in East Asia over the coming years, we would like to complement this move in order to respond to demands of many developing countries (including Sub-Saharan Africa) which are interested in East Asian development experiences. Through our work in Vietnam and Ethiopia, our team is building a knowledge base of East Asian experiences in industrial development. We are happy to make the information and literature on East Asian industrial development experiences available to the interested parties, such as developing countries, as well as the IGC and the DFID's research team.

***Contributions to sharpening of Japan's PPP approach and criteria:*** Since the late 1990s, both Germany and the UK have accumulated their experiences in working with private sector to enhance development impacts of core business activities in developing countries. As mentioned in the section 1, Germany and the UK have different approaches and criteria in formulating and implementing PPP projects. Japan (including both the government and the new JICA) is currently examining a possibility of introducing PPP arrangements with ODA funding. We consider that the deeper analysis of their experiences and approaches will be very useful for Japan to establish its own policy and criteria for PPP. Especially, we believe that the German experiences can be highly relevant to the Japanese context, in such aspects as mechanisms for involving various agencies, debates on target companies, how to strike balance among hands-on approach (e.g., joint project formulation with interested companies, working with lead companies), transaction costs, and process transparency, etc.

***Revisiting aid effectiveness debates, by incorporating perspectives of industrial development and private sector development (possibly with German partners):*** Subject to JICA's interest, we would like to explore possible partnership with German policymakers and practitioners, and researchers in highlighting issues that are insufficiently

captured in the Paris Declaration and the Accra Agenda for Action (such as ownership based on policy multiplicity, the need for capacity development to enable partner countries to make “informed choice”, re-balancing between the policy content and procedural harmonization, complementarity between budget support and project-based, hands-on approach to aid delivery). These issues are particularly relevant for industrial development and private sector development, where budget support may not be a main instrument (different from the social sectors where budget accounts for large share) and close interaction with the private sector in various sectors and levels is necessary. We believe that the current aid effectiveness debates are too narrow and should be made more flexible in order to enhance development impacts as a whole. One possibility might be to compile a joint Japan-Germany report (as a follow up of the Japan-UK Report), which synthesizes the German and Japanese approaches to industrial development and discusses how these could complement the current framework and procedural-heavy discussions on aid effectiveness debates.

[END]