Chapter 1

An Overview: Diversity and Complementarity in Development Efforts

GRIPS Development Forum

Each developing country is unique. The donor community is also a heterogeneous group. Development efforts should take advantage of these differences instead of suppressing all development strategies and aid instruments into one. Japan and the United Kingdom (UK) are very different donors and, precisely because of that, there is a great potential for productive bilateral cooperation in aid efforts between them.

Global aid trends have changed significantly over time. Even within the last two decades, dominant aid policy has shifted from macro-oriented structural adjustment to poverty reduction with concrete social sector targets, then to a search for a new source of growth. Recently, there has also been strong pressure to adopt budget support and unify aid procedures. In some developing countries, project aid has been marginalized regardless of whether it is integrated into the government's policies and systems. Expenditures on health and education increased greatly at the cost of economic infrastructure. These shifts are often global and driven by the quest for new initiatives and political leadership on the donors' side rather than by customized responses to socio-economic situations in individual developing countries.

This report argues that donor collaboration should follow the principle of diversity and complementarity so as to maximize aggregate aid effectiveness. The idea is a general one that should be extended to the entire donor community although we mainly focus on Japan-UK cooperation in this volume. This proposal is justified by the principles of comparative advantages among donors, non-fungibility of ideas, and inseparability of content and instrument, as explained below.

To be more precise, aid policy and instruments should be partly common and partly different among donors. Donors should be sufficiently common to be able to work together, share long-term goals, and simplify procedures. But they should at the same time retain their natural differences to permit a meaningful division of labour in development efforts. Donor diversity is likely to increase in the future as a number of former developing countries graduate to the status of emerging non-Western aid givers. Under this circumstance, it is all the more important to seek an inclusive approach for combined aid effectiveness.

At present, rising interest in growth promotion in the UK and Japan's desire to make new contributions in Africa offer an excellent opportunity to strengthen the bilateral partnership. Japan can also act as a mediator in Asia-Africa cooperation by promoting knowledge sharing between East Asia's emerging donors, such as Malaysia and Thailand, and African countries where the UK has accumulated rich information and experience. Through joint effort, Japan and the UK should concretize growth initiatives in developing countries struggling to take off economically, especially in Sub-Saharan Africa.

This introductory chapter will discuss the importance of strategic and instrumental diversity in development aid, the lessons of East Asian experiences, the main features of Japanese and British aid, and ways to strengthen Japan-UK partnership in 2008 and beyond.

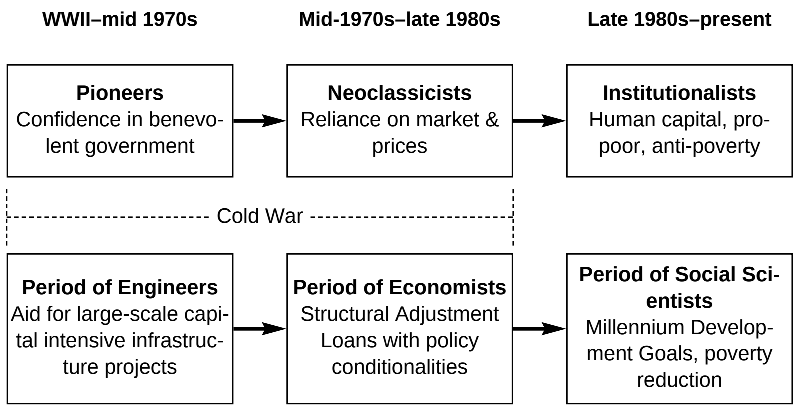
1. Arguments for strategic and instrumental diversity

The past decades have seen large swings in development vision. After the mostly disappointing results of macroeconomic austerity and structural adjustment programs in the 1980s, the international community began to pay more attention to human, social, and institutional aspects of development, which culminated in a concerted effort to fight poverty. Since the late 1990s, poverty reduction has become an overarching goal for all development assistance to poor countries (Box 1-1). At the centre of this approach was the Poverty Reduction Strategy Paper (PRSP) introduced by the World Bank and the International Monetary Fund (IMF) in late 1999 in connection with the Enhanced Highly Indebted Poor Countries (HIPC) Initiative. Moreover, the United Nations (UN) Group also launched a very important initiative for reducing poverty. Following the UN Millennium Summit in September 2000, the UN General Assembly adopted the UN Millennium Development Goals (MDGs) in September 2001. MDGs and PRSPs are linked as the end and the means of poverty reduction, and have exerted great influence on the development strategy formulation of low-income countries.

Aid instruments have also undergone major shifts. Initially, the lack of capital was regarded as the key resource gap that faced developing countries, and projects were the dominant form of aid delivery until the early 1980s. Subsequently, with the prevalence of structural adjustment programs in the 1980s, the share of program aid increased drastically at the World Bank and elsewhere. More recently, the 1990s saw the rise of new aid modalities—such as general budget support and sector programs—with the introduction of the PRSP and associated institutional frameworks. As a result, the share of general budget support and sector program support increased from 8 percent of total ODA commitments in 2001 to 20 percent in 2004. Low-income countries received the lion's share (63 percent) of these new modalities in 2004 (IDA, 2007, p.6). This latest move can be regarded as an attempt to overcome the weaknesses of past aid modalities consisting of "stand-alone" projects and structural adjustment programs. Sub-Saharan Africa always took the major brunt of these shifts in aid vision and modality.

What has been common throughout these changes was the tendency for one idea or approach to dominate and marginalize all others. We believe that jumping from one extreme to another jeopardizes continuity and balance. Global convergence to a single idea or approach is neither desirable nor realistic for developing countries or aid donors. While procedural problems caused by excessive aid fragmentation need to be addressed (OECD, 2005), this

Box 1-1: The Evolution of Development Ideas



Source: Adapted from Akiyama, Akiyama and Minato (2003), p. 21, Figure 2.

should not propel us to ignore inherent diversity among developing countries or the heterogeneity of donors. A pragmatic approach should be sought to realize complementarity among different donors to fulfil different development needs.

The principle of diversity and complementarity in donor collaboration can be justified by three overlapping perspectives: (i) comparative advantages of donors; (ii) non-fungibility of ideas; and (iii) inseparability of content and instruments.

Comparative advantage of donors

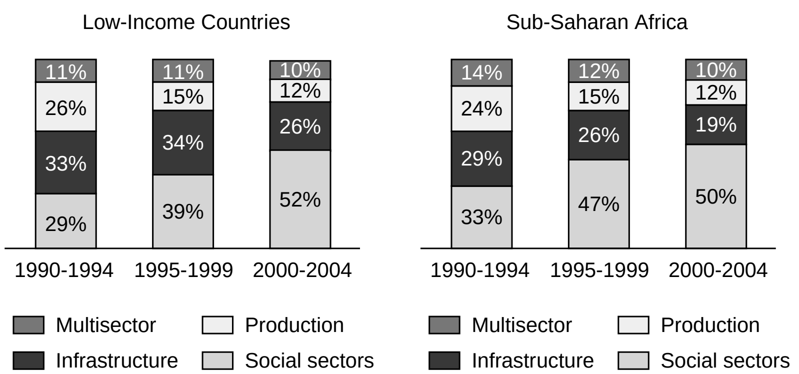
Each donor has different strengths and weaknesses relative to others. Comparative advantages in aid can be found in various dimensions such as special technical skills and knowledge, alternative approaches in problem-solving, and visions and philosophy fostered through the historical experiences of individual donors. To take full advantage of this diversity, each donor should mainly work on its comparative advantage and share its expertise with other donors. This conclusion comes from the most basic theory in international economics, which normally explains the benefits of international trade but can also be extended to development aid. If all donor assistance is targeted at one or a few sectors or activities, the policy space for developing countries will become severely limited. The situation where all donors do the same thing regardless of what they can do best should be avoided. But that is exactly the trend that has been observed in the recent past.

Under the strong drive for reducing poverty and the scaling up of social sector spending in the 1990s, resources allocated to physical infrastructure were sharply reduced. The share of social sector spending in total sector-allocable Official Development Assistance (ODA) to low-income countries jumped from 29 percent in the early 1990s to 52 percent in 2000-2004 (Figure 1-1). The shift was most dramatic in Sub-Saharan Africa where the share of infrastructure in sector-allocable ODA fell from 29 percent in the first half of the 1990s to 19 percent in the period of 2000-2004. As most donors have turned away from building roads, irrigation, power and the like, three-quarters of ODA for physical infrastructure for International Development Association (IDA)-eligible countries is now provided by two bilateral donors (Japan and the United States [US], 42 percent) and two multilateral donors (IDA and European Commission [EC], 32 percent) alone.

Lately, there has been a renewed interest in generating growth on the part of the World Bank and European donors. The view that attainment of the MDGs requires further acceleration of overall economic growth is now widely accepted. A recent World Bank report, *Challenges of African Growth* (2007), points to the serious consequences of long neglected infrastructure investments in many African countries and proposes a big-push solution.

Two decades of neglect currently manifests itself in the form of huge infrastructure gaps relative to needs in the region and compared with other developing regions. It is estimated that Sub-Saharan African countries need $18 billion a year in infrastructure financing in order to achieve the much higher 7 percent economic growth target needed to halve extreme poverty in the region by 2015 (Ndulu et al., 2007, p.143).

Figure 1-1: Distribution of Sector Allocable ODA to Low-income Countries and Sub-Saharan Africa
(Commitments, period averages, %, 1990-2004)



Source: International Development Association (2007), p. 11, Chart 7.

While Japan traditionally focused on infrastructure development, its spending on infrastructure in Africa also sharply declined from around 2000. This was due to the Japanese government's decision to suspend new ODA loans, which were the main source of financing large-scale infrastructure, to those countries which applied for the Enhanced HIPC Initiative and thereby implicitly "defaulted" on previous ODA loans.[1] The proposal report for the Fourth Tokyo International Conference on African Development (TICAD IV) by the African Diplomatic Corps in Tokyo (2007, p.7) regretted that Japan's assistance to Africa now had a stronger focus on social development compared to other developing regions. It requested that the "new JICA"[2] devote more

1. Recently, the Japanese government resumed ODA loans to a limited number of African countries which have demonstrated good track records in macroeconomic management and debt sustainability following the application of debt relief (Enhanced HIPC Initiative). Moreover, at the Gleneagles G8 Summit in 2005, the Japanese government announced the introduction of the Enhanced Private Sector Assistance for Africa (EPSA), a joint initiative with the African Development Bank (AfDB) to promote private sector development. EPSA consists of three components: (i) trust fund; (ii) co-financing by the Japan Bank for International Cooperation (JBIC) and AfDB to sovereign borrowers; and (iii) JBIC loans through AfDB to private businesses as end-users.
2. In October 2008, ODA loan operations which are currently under JBIC will be integrated into the Japan Internation

attention and resources to the promotion of economic development in Africa. Convergence of Japanese aid policy to the international norm was not necessarily welcomed by recipient countries.

Non-fungibility of ideas

Policy ideas are often non-fungible even under harmonized procedures. In comparison with money, ideas are more clearly distinguishable even when they are put together. Even if the desirability of a certain policy goal is widely agreed upon, be it industrial competitiveness, systemic transition, or rural poverty reduction, there are many paths and options to reach that goal. Developing countries are diverse in development stage, institutional capacity, and socio-economic structure. Donors can also offer different approaches to the same goal. Developing countries and donors should be open to various possibilities and explore ways most suitable for each case, rather than imposing cookie-cutter moulds.

In this regard, systemic transition strategies deserve special attention. In the early 1990s, there was a broad consensus on the desirability of transforming former socialist countries from state-controlled centralized systems to decentralized systems based on price-driven resource allocation. But opinions were sharply divided on the proper pace and sequencing of policy reforms. The choice between the so-called big-bang approach and gradualism emerged, and heated debates involving donor agencies and prominent economists ensued. The former approach was adopted by Russia, Mongolia, and a number of Eastern European and Central Asian countries with the support of international financial institutions and Western economic advisors. Meanwhile, China and Vietnam, which had initiated transition without external help in the 1980s, opted for incremental reforms. The point here is that superiority of either approach cannot be determined without reference to the inherited political, social, and economic situations of each country. Another important point is that, given each situation, it is necessary to ask whether the country in question adopted the right speed and manner of transition.

Box 1-2: Thailand's Eastern Seaboard Development Plan

The Eastern Seaboard Development Plan (ESDP) was Thailand's flagship regional development plan aimed at export-oriented industrialization, receiving a high priority in the Fifth (1982-1986) and the Sixth (1987-1991) development plans. The Plan had an unprecedented scale and was composed of a multitude of projects in infrastructure development, industrial estates, urban development, water resources, and environmental management. Nevertheless, the Plan provoked much controversy at its early phase of implementation. The Thai economy at the time suffered from macroeconomic imbalances caused by oil shocks, global stagflation, and a slump in primary commodity prices. The Thai leaders were faced with a dilemma. While building modern infrastructure was urgently necessary to strengthen export capacity, the government also needed to adopt stringent measures to cope with macroeconomic crises. The opinions of the two major donors were also divided, with Japan arguing for the timely execution of the Plan and the World Bank arguing against it. The Thai government assumed full responsibility for steering this process by conducting its own analysis and revising the ESDP. The Thai leadership reached a set of workable solutions and successfully negotiated with the two dominant donors. The fact that Thailand pursued its own way in spite of uneasy relations with the major donors deserves special attention.

Sources: Shimomura (2005), Ohno & Shimamura (2007).

A similar situation occurred at the time of the Asian financial crisis in 1997-98. It was clear that the regional currency run had to be stopped, but there was no initial consensus as to how that was to be realized. The IMF insisted that the crisis countries adopt macroeconomic austerity, raise short-term interest rates, and close bad financial institutions immediately. Others, including the then chief economist of the World Bank, strongly criticized this prescription as totally misguided. Subsequently, the IMF had to admit that its policy package might have been partly responsible for the worsening of the crisis. After the crisis subsided, East Asian countries began to build up international reserves, develop bond markets, and establish a cooperation scheme among regional central banks in order to reduce reliance on the IMF. This event illustrated the importance of availability of second (and more) opinions from which affected countries can choose.

In formulating development strategies, some East Asian countries took advantage of the non-fungibility of policy ideas by listening to a variety of competing advice from different donors before arriving at the final decision. For example, Thailand's experience in implementing the Eastern Seaboard Development Plan illustrates how the country used divergent ideas of Japan and the World Bank to its own advantage (see Box 1-2).

Inseparability of content and instruments

In development aid, content and instruments are hardly separable. Generally, the project approach can address specific problems, seek policy innovation, and implement pilot activities by collectively mobilizing funds, material inputs, technology, and knowledge for well-defined objectives. On the other hand, budget support can provide large resource transfers, including recurrent expenditures, and generate multiple policy and institutional reforms in a synergic manner. For this reason, it is important to match aid modalities with development priorities of each country (Ohno & Niiya, 2004). On the donor side, too, content and instruments are closely integrated. Donors that excel in policy dialogue and administrative reform may find budget support useful. Donors that emphasize field-based process support may prefer project aid as an entry point. Adopting diverse aid instruments to meet different development objectives may at times go against the need for instrumental harmonization. Practical balance should be maintained in reconciling both requirements.

Pritchett & Woolcock (2002) classify public-sector activities according to the levels of "discretion" and "transaction intensiveness." Discretion means the extent to which an activity requires extensive professional or context-specific knowledge, and transaction intensiveness refers to the number of transactions needed to undertake an activity. Noting that services that are both discretionary and transaction-intensive are extremely difficult to deliver, they conclude that a programmed approach is appropriate in areas involving the scaling-up of standardized services, but less so where heterogeneous services are involved. Building on their work, Fukuyama (2004) classifies public services by the degree of specificity and transaction volume, and stresses the importance of taking different approaches in response to the specific nature of targeted public-sector activities.

This idea can be extended to the broader issue of aid modality in general by incorporating different degrees of resource and institutional constraints in developing countries (Box 1-3). *The Joint Evaluation of General Budget Support* (IDD and Associates, 2006, p.S16) emphasizes the complementarity of aid instruments, noting that "[t]here is a serious danger of overloading one instrument, and of expecting it to achieve too many things and too quickly. The appropriate scope and focus of the PGBS [Partnership General Budget Support] instrument can only be decided in country context."

In sum, the right mix of strategic content and aid instruments should be selected to reflect the diversity of development stage, institutional capacity, and socio-economic needs of individual developing countries as well as the comparative advantages of the donors.

Donor diversity is likely to intensify as an increasing number of emerging donors, regional and global programs, and private philanthropic funds are joining traditional donors in offering aid to the developing world.[3] This makes it all the more crucial to make full use of comparative advantages of each player to maximize collective development efforts. Pragmatic eclecticism, rather than dogmatic convergence, is called for. This point is also emphasized in the recent World Bank report (IDA, 2007) and the Paris Declaration for Aid Effectiveness (OECD, 2005). These documents recognize the challenges associated with the growing complexity of global aid architecture and stress the importance of achieving donor complementarity across national, regional, and global development priorities and programs.

3. ODA has almost quadrupled from US$22.4 billion in 1980 to US$79.5 billion in 2004, but has fallen as a proportion of total financial inflows into developing countries which include remittances, commercial loans, and equity investment. While ODA constituted around 35 percent of total financial inflows in 1990, it now accounts for less than 15 percent. In poorer countries, the emergence of new flows has been less pronounced, but even there ODA's share in total financial inflows declined from around 65 percent in 1980 to just over 40 percent in 2004 (OECD, 2007b).

Box 1-3: Matching Aid Modalities with Country Needs

To identify suitable aid modalities in the country-and sector-specific context, Ohno & Niiya (2004) propose that donors pay attention to: (i) priority development needs of each country; (ii) the role of public expenditures (especially recurrent ones) in the sector or services to be financed; and (iii) the degree of the system-wide applicability of standardized, homogeneous approaches. The implicit assumption behind budget support is that public expenditure programs are by-and-large efficient and effective in bringing about development outcomes. Therefore, if the sectors and desired services are recurrent-intensive and the country is heavily aid dependent, large resource transfers would be required on a constant basis. Also, if the required action is the system-wide application of homogeneous and standardized technology, increasing public expenditures or reducing the unit costs of measures may be appropriate. On the other hand, if the required action is highly context-specific, innovative and targeted interventions are needed to meet heterogeneous demands of beneficiaries. In such a case, simple expansion of public expenditures may not be enough, and carefully designed interventions need accompany them.

Source: Ohno & Niiya (2004), p. 21.

2. The East Asian lessons[4]

The fact that East Asian countries on average grew much faster than countries in other developing regions, including Sub-Saharan Africa, is undeniable, and we naturally look for lessons from these brilliant performers. Japan, as the leading industrial country in that region and itself the first successful non-Western latecomer, is expected to play a catalytic role in transferring East Asian developmental know-how to countries with the willingness to learn. The Japanese government promotes such intellectual exchange directly as well as by encouraging other East Asian high performers to engage in such assistance (the "South-South" cooperation).

However, East Asian experiences mean different things to different people, and some of the "lessons" are not transferable and could even be harmful if applied without care. Let us first enumerate what should not be the East Asian lessons.

4. For more discussion on East Asian experiences, see Chapter 2 of this volume.

First, promoting policy measures adopted by a certain East Asian country in the past to another soil, without regard to historical context or country differences, is hardly desirable, be it Japan's main bank system, Korea's heavy industry drive, or Green Revolution in the Philippines. Doing so would make the same basic mistake as the much-criticized uniform policy conditionalities of international financial institutions. This is not to entirely deny the possibility of replicating some of the East Asian policies in Africa, for example, after careful study and necessary modification to fit the local conditions. But without such preparation, the global marketing of a policy measure that seems to have worked in one country is not advisable.

Second, a strong government dictating private sector activities has not been a universal prescription for success in East Asia. There is a myth among some Western scholars that Japan's high growth from the mid 1950s to the early 1970s was realized through the selective industrial policy of the Ministry of International Trade and Industry (MITI). This myth is easily rebuffed by Japanese business people and officials who actually lived through that era. The common understanding among these people is that private sector dynamism was primary while public policy sometimes played an important but supplementary role. What was surprising about MITI was the effectiveness with which it worked with private firms, learned their needs, and delivered desirable policies. With the possible exception of Park Chung Hee's South Korea, the general lesson from East Asia is that policy tended to fail when it had the upper hand over the private sector. In identifying dynamic comparative advantage, the private sector was the leader and the government was the follower.

Third, the view that an authoritarian state is a prerequisite for economic takeoff is too simplistic. True, the majority of East Asian high performers have adopted one form or another of authoritarian developmentalism as a temporary regime to lift the economy from a low base to an upper-middle income level. But again, the mindless copying of this type of regime is very dangerous. For one thing, success hinged on the developmental orientation of the regime rather than its authoritarian ways, which were merely the means to advance development. The dynamics of such a regime, which generally lasts for only a few decades to be replaced by a more democratic regime if development proves successful, should also be recognized. Moreover, it is much harder to install such a regime today in comparison with the 1960s and 70s when the Cold War was on. Today's developing countries should avoid unnecessary authoritarian elements that are unrelated to growth promotion while selectively importing individual factors that contribute to development. The political lesson from East Asia is a subtle one that requires a more sophisticated assessment than a simple good-or-bad verdict.[5]

If these are misinterpretations, what are the genuine lessons from East Asia that should be communicated to the rest of the world? At the general level, we propose the following three.

Field-based, concrete thinking

When confronted with any developmental challenge, East Asian officials and aid experts typically start by gathering concrete facts on the ground, absorbing local opinion and knowledge, combining it with the best international expertise, and proposing as concrete actions as possible. In agriculture, for instance, a Japanese consultant may want to stay in one locality to study compatibility among local soil, climate, and crop types as well as the existing structure of the village community and the availability of market access for targeted products rather than drafting a sector development plan for the entire country. In industry, an East Asian advisor may visit a small number of factories repeatedly for six months to talk with general managers, implement 5S,[6] improve machinery operation and maintenance, introduce the just-in-time system, and propose a new factory layout for efficiency (Ch. 7). Such a hands-on approach

5. Chapter 2 contains further discussion on authoritarian developmentalism and democratic developmentalism.
6. The 5S (a Japanese management approach) is the most elementary way to improve production efficiency by keeping the factory tidy and well organized. Its elements are *seiri, seiton, seiso, seiketsu, and shitsuke,* which roughly mean remove unnecessary things, arrange tools and parts for easy view, keep the work place clean, maintain personal hygiene, and behave with discipline.

with profound interest in physical concreteness is in sharp contrast to the framework approach of typical Western donors who are good at promoting procedural efficiency, legal preparation, organizational reform, accounting standards, and the like. Yanagihara (1998) calls the Japanese (or East Asian) way of working on development the “ingredients approach” in contrast to the “framework approach” of the West. The two approaches are different and highly complementary. When the general framework is supported by concrete growth actions, development efforts are likely to bear fruits.

Development as a holistic social process

For East Asian countries, development is not just a collection of individual problems such as mobilizing savings or improving healthcare. It is an inter-linked dynamic process involving all the aspects of the society. Since the economy is embedded in the social structure and political regime, which usually change slowly, every development policy must be designed and executed in full consideration of the social and political constraints of the country in question. From this perspective, a number of attitudes and expectations naturally emerge such as the rejection of naïve free market ideology or standardized policy conditionalities, the crucial role of top leaders in breaking the initial poverty trap, the importance of constructing an “imagined community” for national unity, adopting pragmatic gradualism in political development, and re-interpretation of imported systems in a particular social context. These holistic ideas can be very useful in placing into proper context mechanical views emanating from the West regarding macroeconomic stabilization, administrative reform, or anti-corruption drive, for example, and avoiding socio-economic disasters brought on by ill-informed social engineers.

Balance between growth policy and social policy

For developing countries that have already initiated an economic take-off, another lesson from East Asia becomes relevant. This lesson concerns the need to maintain a policy mix to accelerate growth on the one hand and solve social problems generated by growth on the other (Ch. 2). Fast growth is often associated with international integration, industrialization, and urbanization. These changes bring new problems such as income gaps, pollution, congestion, and crimes, as well as new attitudes, demands, and mobility on the part of people. Unless these problems and situations are handled skilfully by policy makers, society will explode and all development efforts may stall. In East Asia, countries that managed these growth-caused problems reasonably well achieved high income while others were stuck in the “middle-income trap.” For example, Japan in its high growth era narrowed the urban-rural gap through internal migration of labour, fiscal transfers, and agricultural price supports. Malaysia adopted an ethnic affirmative action policy in 1971 to elevate native Malays, who had been economically less active than Chinese or Indian Malays, and preserve national unity. Vietnam has implemented many measures to assist ethnic minorities living in mountainous and remote areas. It should be added that these policies must be regarded as temporary and should be dismantled at a proper time as social transformation proceeds under economic prosperity. In contrast to these examples of success, Indonesia and the Philippines seem to be struggling with stubborn political and ethnic problems even though they have reached middle income levels. Thailand also faces a serious problem in bridging the gap between thriving Bangkok and rural areas which are left behind.

Begin with comprehensive policy dialogue

We recognize that the views mentioned above are by no means the monopoly of East Asian development officials. Nor do we claim that every Japanese advisor practices them. However, it can be said that, as a tendency, these views permeate more strongly in the East than in the West, which currently sets the global development agenda. The difference between the two perspectives, in their ideal forms, is a fundamental one rooted in methodology and philosophy. Moreover, the two are complements rather than substitutes. The best results will be obtained when the functional framework approach of the West is combined with the Eastern approach that emphasizes broad social context and the uniqueness of individual experiences. Abstract thinking should be supported by pragmatic action.

All this is fine as general ideas, but developing countries also need specific advice. How should the East Asian lessons be transplanted to a particular sector of any Sub-Saharan African country? Since the East Asian approach emphasizes social context and denies common answers, it cannot deliver a pre-determined solution applicable to all countries. What it can suggest is the way a solution can be reached. A country should collect a large amount of information and conduct intensive policy discussion before key issues are identified, strategies are agreed, action plans are drawn up, and institutional preparations are made. This time-consuming process is unavoidable if the country is to find a solution suitable for its unique case, build trust among stakeholders, and improve local policy capability. A good Japanese expert would live in the field for years, speak the local language, become immersed in local customs, and share frustration and hardship with local counterparts before drafting a proposal. Such an expert would not give general advice upon the first visit to the country. This type of comprehensive intellectual engagement is lacking in countries where government officials are too busy attending workshops and symposiums offered by temporary visitors.

If Japan wishes to initiate a new growth assistance initiative in any Sub-Saharan country, where its knowledge and experience have so far been sparse, we suggest that it start with the same type of policy dialogue that it routinely conducts in East Asia. In countries such as Vietnam, Indonesia, and Laos, the Japanese government has mobilized a large number of Japanese academics, businesses, and aid consultants to identify key issues, study them, and offer policy advice.[7] Size and procedures may differ from one country to another. Popular agendas include improving the FDI environment, drafting master plans, and enhancing industrial capability. The process involves both the com-

7. In Vietnam, JICA organized a three-phase bilateral joint research project on economic development and transition toward a market-oriented economy headed by Prof. Shigeru Ishikawa (1995-2001). In Laos, a similar JICA project headed by Prof. Yonosuke Hara was carried out in two phases (2000-2005). In Indonesia, JICA supported a team of Japanese experts headed by Prof. Takashi Shiraishi (2002-2004), which conducted intensive policy dialogues with Indonesian policy makers on scenarios of economic recovery from the Asian financial crisis. In addition, there are numerous Japanese programs of various duration and content for industrial policy advice as well as long- and short-term training and expert dispatches in virtually all East Asian developing countries.

mitment of top-level leaders and deep involvement of middle-level officials. Each dialogue typically lasts for a few years with a possibility of extension into multiple phases. In some instances, the research has been followed up by additional aid programs or bilateral joint efforts to implement and monitor proposed action plans.

While East Asia and Sub-Saharan Africa are different, and issues and solutions may differ considerably between the two regions, the method of organizing policy dialogue as discussed above should be valid for both. Admittedly, Japan has much less money and human resources to mobilize in Sub-Saharan Africa in comparison with East Asia, where its economic ties and aid efforts are concentrated. For this reason, Japan's new growth assistance initiative in Sub-Saharan Africa, if it is to be done, should start with a manageable size and target only one or two countries initially. In the chosen country, Japan should become a lead donor in growth policy and work closely with other stakeholders such as domestic and foreign businesses, academics, NGOs, and bilateral and multilateral donors. The international events to be hosted by Japan in 2008 such as the G8 Summit and the TICAD IV Conference are good opportunities to publicize and launch this initiative.

3. Japanese aid

In development aid, Japan and the UK are dissimilar donors. The two have different ideas, approaches, and instruments, as explained in this and the next sections. At the same time, both are strongly committed to development and remain substantial providers of development assistance. In 2006, Japan and the UK together contributed over US$24 billion in aid (net disbursement base), equivalent to nearly a quarter of the total ODA by Development Assistance Committee (DAC) member countries. Without conscious effort to understand and work with each other, they are likely to conduct their aid efforts more or less independently and the chance for fruitful partnership will be lost. Table 1-1 and Figure 1-2 give summaries of ODA in the two countries and the trends of aid volume.

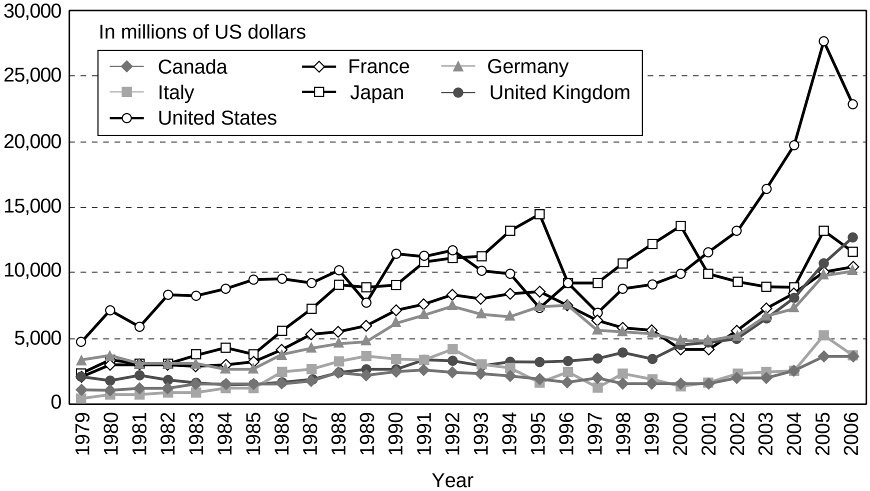
Table 1-1: Comparison of UK-Japan ODA

	UK	Japan
Volume (ODA/GNI) [2006] 1/	$12,459 mn (0.51%)	$11,187 mn (0.25%)
Bilateral share [2005] 2/	75.8%	79.2%
Grant share [2005] 3/	96.5%	48.8%
Regional distribution [2004-05] 4/	1. Sub-Saharan Africa (53.6%) 2. South & Central Asia (21.0%)	1. East Asia & Oceania (40.7%) 2. Middle East & North Africa (19.3%)
Sector distribution [2004-05] 5/	1. Social & administrative infrastructure (30.0%) 2. Humanitarian aid (8.1%)	1. Economic infrastructure (26.8%) 2. Social & administrative infrastructure (21.4%)
Budget support 6/	17 countries	5 countries

Source: OECD, *Development Co-operation Report* 2006, Creditor Reporting System online database.

Notes: 1/ net disbursements; 2/ % of total net disbursements; 3/ % of total ODA commitment; 4/ % of total gross disbursements; 5/ % of total bilateral commitment; 6/ UK data are based on 2004/05. Japan has provided budget support to five countries: Tanzania (2001-), Vietnam (2004-), Indonesia (2005-), Laos (2006-), and Cambodia (2007-). This information is based on the year in which the Exchange of Notes was signed. Japan also plans to provide budget support to Ghana.

Figure 1-2: ODA Trends of G7 Countries (Net disbursement)



Source: OECD, *Development Co-operation Report* 2006, Creditor Reporting System online database.

Trends of Japanese aid

Japan's postwar decision to renounce use of military force implied that ODA had to compensate for the absence of Japan's military contribution to conflict areas in the world. In fact, ODA has been Japan's principal means to participate in globally shared efforts and to address Japan's specific external goals in each period, such as war reparation payment in the 1950s, trade promotion in the 1960s, securing imported energy and raw materials in the 1970s, and the "recycling" of the trade surplus in the 1980s. By the early 1980s, Japan emerged as the largest donor in terms of aid volume.

Subsequently, however, under fiscal austerity Japan's ODA budget, once regarded as a sacred budget item, continued to decline over the past 10 years with a cumulative reduction of 38 percent in FY2007 from the peak level in FY1997. As a result, the US replaced Japan as top donor in 2001 for the first time since 1991, and the UK, also overtaking Japan, became the second largest donor in 2006. In Japan, domestic constituency for development assistance is weak, and the Japanese public is experiencing aid fatigue.[8] The public feels that the budget should be spent on services that benefit them more directly such as medical care, social infrastructure, and the pension system. The OECD/DAC projects that Japan will be ranked fifth by 2010 if the current decline continues.

Geographically, East Asia continues to be the primary destination of Japan's bilateral aid. The share of Japan's aid to Sub-Saharan Africa has been stable at about 10 percent over the past 25 years. Sectorally, economic infrastructure receives the largest allocation, followed by social and administrative infrastructure. Japan has a broad aid menu, including concessional loans, grants, and technical assistance. Japan is unique in having loans compose a relatively

8. The results of the latest opinion polls conducted by the Cabinet Secretariat in 2007 show that the share of the people who actively support Japan's engagement in foreign aid has been declining. The percentage of people who responded that Japan should increase the ODA budget dropped from around 40 percent in the early 1990s to 23 percent in 2006. In contrast, those who felt that Japan should decrease or eliminate ODA rose to around 25 percent in 2006, compared to less than 10 percent in the early 1990s.

large share of its bilateral aid. The high priority placed on economic infrastructure reflects Japan's ability to mobilize sizable financial resources for development projects through the active use of concessional loans.

Development and aid visions

Japan's development and aid visions strongly reflect its dual experience as a latecomer and a donor. First, Japan is the only non-Western country with an early history of successful industrialization. Ever since Japan opened its doors to the world in the second half of the nineteenth century, the desire to catch up with the advanced nations in the West has been a strong driving force leading to its economic achievements today. Second, the generation of Japanese who lived through it vividly remember the destruction and poverty the nation sustained following its defeat in World War II. This situation was gradually overcome by very hard work, a fact in which that generation still takes considerable pride. Japan's success in strengthening its manufacturing base in turn contributed to trade- and investment-driven development and resultant poverty reduction in East Asia. Thus, the East Asian experience and aspiration for industrial catch-up are the heart of Japan's ODA vision. Being a late industrializer, Japan possesses a unique dual identity as a member of developing Asia as well as a member of the developed West.

These historic factors have heavily influenced the shaping of development visions and relationships Japan wished to foster with developing countries through aid. While Western donor countries—except for the UK—were also latecomers in the nineteenth and the early twentieth centuries, their development and aid visions do not reflect latecomer perspectives as strongly as Japan's. Joseph Stiglitz also notes that "Japan understands development because it went through the development process so recently."[9] Motoki Takahashi (2005, p.18), specialist in African development at Kobe University, states:

9. Presentation by Prof. Joseph E. Stiglitz of Columbia University, "Globalization and Development," at a special seminar on Making Globalization Work for Developing Countries organized by the Institute for International Cooperation, JICA, on July 31, 2007, Tokyo.

> [W]hat Japan learned from its own development experience and from its experience supporting East Asia was that development cannot be realized without self-reliant endeavours by recipient societies. This is very simple, but is the truth which donors tend to have difficulty respecting.

In particular, the following latecomer perspectives which Japan often preaches are unlikely to emerge from the West (Ohno, 2007).

- *Growth aspiration and graduation from aid*—aid is not charity or moral obligation to people in misery. Aid should support the self-help efforts of developing countries in building self-reliant economies and achieving eventual graduation from aid. Aid must be administered in a way that contributes to the national pride of developing countries.
- *Real-sector concern*—in the early stages of development, the government should play an active role in promoting and even creating a market economy. Greater attention should be paid to the dynamic structure of the real economy.
- *Long-term perspective*—development is a long-term and path-dependent undertaking. In its execution, it is necessary to give due consideration to the history, society, and culture of each country.
- *Pragmatism in aid delivery*—while observing general principles in international aid practice, developing countries should be given room to interpret and adapt approaches to the local context. Diversity in aid types should be accommodated.

These are complementary to the approach taken by Western countries and international organizations, which feature far-sighted frameworks, convergence toward a single system, and emphasis on macroeconomic financial issues and governance.

Challenges and the latest ODA reforms

Japan is yet to project its ODA vision effectively to the world. The country often takes the back seat in global development debates where major directions are determined by other players. As a result, Japan continues to be tormented by a gap between the mainstream development thinking and the East Asian development experience, which is widely regarded as a “success story” to which Japan made a significant contribution through investment, trade, and aid.

Several factors are accountable for Japan’s insufficient communication with external stakeholders. First, historically Japan has taken a reactive stance in aid relations, especially in imposing policy conditionality. Japan’s ODA originated from official and semi-official war reparations to the East Asian neighbours, and its approach naturally carried the sense of atonement and moral debt to them. However, a reserved attitude is not necessarily a negative quality in an aid donor. By being less assertive, Japan can conduct interactive policy dialogues with developing countries in a way that bolsters their national pride and strengthens mutual trust (Ishikawa, 2005; Takahashi, 2005).

Second, Japan’s fragmented ODA decision-making inhibits coherent policy formulation and implementation. While the Ministry of Foreign Affairs (MOFA) is the lead ODA ministry, in reality, the planning and implementation of ODA policy and budget are scattered across many organizations, including the Ministry of Finance (MOF), the Ministry of Economy, Trade and Industry (METI), the Japan International Cooperation Agency (JICA), and the Japan Bank for International Cooperation (JBIC). The latter two are charged exclusively with ODA implementation. Furthermore, implementation systems are separated by scheme. Bilateral aid is divided among MOFA (grant aid), JICA (technical cooperation), and JBIC (concessional loans). Contributions to international organizations are conducted between MOFA (UN-related organizations) and MOF (international financial institutions). Moreover, more than a dozen “domestic” ministries also partake in providing ODA with limited scope and budget, and their activities are not necessarily reported to MOFA or integrated with the rest of ODA.[10]

10. In addition to JICA, 13 different ministries are involved in technical cooperation (so JICA undertakes about half of the technical cooperation).

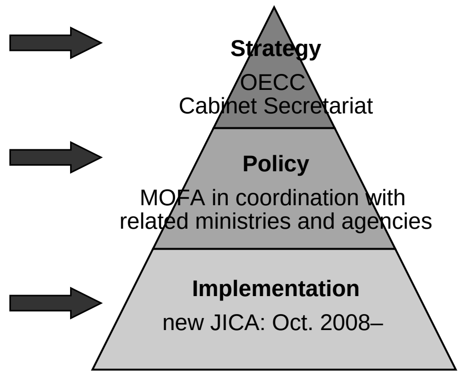
Third, Japan currently lacks political will for promoting ODA policy. Unlike the UK, the recent prime ministers of Japan have had no personal interest in projecting the ODA agenda domestically or internationally. The Diet plays a limited role in policy debates and decision-making on aid. Japan does not have a basic law on aid, and until recently there was little regular oversight of foreign aid on the part of the Diet.[11] Much of the real decision-making in Japan takes place within the bureaucracy with no directives from the top. The highest policy document is the ODA Charter, approved by the Cabinet, which clarifies the philosophies and principles of Japan's ODA. The 2003 ODA Charter, which replaced the 1992 version, states that the ultimate objectives of ODA are "to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity" (MOFA, 2003).

ODA reforms have accelerated since 2006. The latest round of ODA reforms presents a window of opportunity to change Japan's traditional reactive mode. The current reform effort involves a historic restructuring of institutional framework for Japan's ODA through the establishment of a three-tier structure (see Box 1-4). At the strategy level, the Overseas Economic Cooperation Council (OECC) was established in April 2006 consisting of the Minister of Foreign Affairs; the Minister of Finance; the Minister of Economy, Trade and Industry; and the Cabinet Secretary. The Prime Minister serves as chair. At the policy level, MOFA undertook internal reorganization in August 2006 by merging the bilateral and multilateral aid sections into one bureau. At the implementation level, the government decided in March 2006 to establish a "new JICA" by integrating ODA loan operations (currently under JBIC) and a large part of grant aid (currently under MOFA) into JICA, which is currently dedicated to technical cooperation. The new JICA will start operation in October 2008. With annual gross disbursements estimated at around US$8.5-9 billion, it will become a unique aid agency providing technical assistance, grant aid, and ODA loans in an integrated manner. If properly managed, a unified

11. In this regard, the creation of a special committee for ODA in the House of Councillors (the upper house) in early 2006 deserves special attention.

Box 1-4: Japan's New Three-tier Aid System

- Strategizing ODA
- Better policy coordination within MOFA
- Effective and efficient aid delivery —Holistic approach, maximizing synergy of multiple aid menu



Source: Based on information provided by the Ministry of Foreign Affairs.

ODA executing agency should create stronger linkages among various aid instruments and enhance the efforts already underway to reinforce country-based approaches with greater field delegation. It will be the world's largest bilateral development agency, second only to the World Bank in aid volume.

Three events will make the year 2008 special for Japan. In May, Japan will host TICAD IV in collaboration with the UNDP and the World Bank. Initiated in 1993, the TICAD process has aimed at summoning international support for African development and expanding partnership within the international community. In July, Japan will host the G8 Summit in Toyako (Lake Toya) in Hokkaido. Together with the creation of the new JICA in October, the year 2008 will provide excellent opportunities for Japan to demonstrate its commitment to aid and share its development visions with the world.

4. British aid

Trends of British aid

The UK's development assistance has been transformed significantly since

1997 when the Labour government returned to power (see Ch.3). In 1997, the government made global poverty reduction a national priority and created the Department for International Development (DFID) as a cabinet-level ministry with responsibility for foreign aid and international development. This ensured DFID's strong representation in the government in comparison with its predecessor, the Overseas Development Administration (ODA) under the Conservative Thatcher government. Previously, the ODA was no more than one unit within the Foreign and Commonwealth Office (FCO). Having a status equal to the FCO and the Department of Trade and Industry (DTI),[12] DFID has become a ministry with ability to speak up on UK foreign and economic policy from the developmental perspective.

DFID offers an excellent model for galvanizing development cooperation. With a clear legislative mandate, the UK has taken a coherent and organized approach to aid policy-making and implementation. DFID is responsible for almost all ODA with direct control over 84 percent of total disbursements (OECD, 2006). The UK is widely seen as a bilateral donor who is effectively leading global development debates. Domestically it enjoys strong political and public support and is rapidly increasing its ODA budget in an effort to reach the internationally agreed target of 0.7 percent of GNI (gross national income) by 2013. In 2006, the UK became the second largest donor in volume, surpassing Japan. The UK government thoroughly prepared for the G8 Gleneagles Summit in 2005 and successfully argued the importance of scaling up aid to Africa. In this regard, there are many things that Japan can learn from the UK.

Geographically, DFID concentrates resources on the poorest countries, particularly in Sub-Saharan Africa and South Asia, and is increasing assistance to fragile and under-aided states. Sectorally, social and administrative infrastructure receives the largest allocation. About one-fourth of UK aid is disbursed through multilateral organizations.

12. Under the Brown administration (that assumed the office at end-June 2007), DTI was divided into two departments: Department for Business, Enterprise and Regulatory Reform (DBERR); and Department for Innovation, Universities and Skills (DIUS).

Development and aid visions

The overarching framework for DFID is to contribute to the achievement of the MDGs and the elimination of world poverty. As clearly stipulated in the 2002 International Development Act, all of DFID's activities are explicitly linked to the stated goals. For example, DFID's Public Service Agreement (PSA) is closely aligned with the MDGs.[13] The desire to achieve these goals also explains DFID's engagement with other donors and multilateral organizations as an integral part of its work because DFID acknowledges that the MDGs cannot be achieved by British efforts alone. As a significant amount of UK aid goes through multilateral organizations, DFID actively promotes reforms in these organizations and tries to influence their policies.

Strong political alliance among the Prime Minister, the Secretary of State, and the Chancellor of the Exchequer ensures consistency of vision and resources required to address complex tasks of international development, and gives DFID the capability to impose policy coherence within the government. In particular, Clare Short, the first Secretary of State for International Development, invigorated the newly created DFID with strong political leadership and vision. Under her leadership, DFID ended the pursuit of commercial profit through aid. In 1997, DFID abolished the Aid and Trade Provision (tied grant aid incentives under a mixed-credit scheme) initiated by the Thatcher government. DFID strongly promotes the poverty reduction agenda and counter-balances commercial interests represented by the DTI (currently, DBERR) and foreign policy concerns of the FCO.

More recently, Gordon Brown, who succeeded Prime Minister Tony Blair in June 2007, appointed Douglas Alexander as new DFID Secretary of State for International Development and increased the number of ministers from one to three. This suggests continued strong interest in and commitment to international development by the top leader.

13. The PSA was introduced in 1998 as part of the overall results-oriented approach of the New Labour government. A set of time-bound and results-oriented performance targets are agreed between each Department and the Treasury and recorded in a triennial PSA.

The UK excels in the design of policy frameworks and international aid architecture. In recent years, DFID and the research community in the UK have been innovators in international development, pioneering poverty reduction strategies, new aid modalities, and aid harmonization which constitute the core of today's development strategies and aid instruments. Aspiration for aid effectiveness in the early 1990s generated the PRSP initiative in 1999 and the creation of new aid modalities to support it. For instance, DFID pushed the idea of connecting debt relief to a program of poverty reduction, which became an important building block of the PRSP initiative. The need for greater donor harmonization and alignment was also a key driving force behind the PRSP process. It is noteworthy that most (if not all) of the initial inputs to these new ideas originated from British researchers and practitioners. They played the role of catalyst in initiating global changes in development and aid policies.

Challenges

As a bilateral donor, DFID is a highly "policy-rich" organization with a powerful presence in the global development scene, especially in Africa (Warrener, 2004). This is partly because the UK has a large development research community, and DFID has succeeded in establishing close networks with researchers in universities, think tanks, consultancy organizations, and NGOs' policy research units. Another reason for DFID's policy-richness is its organizational challenge to manage the scaling up of programs while its staff is being reduced.[14] Although the budget allocated to DFID is increasing rapidly at an annual average rate of 9.2 percent in real terms during 2005-08, the Department is subjected to continuous pressure to reduce staff as part of the UK government's overall administrative reform (DFID, 2007). Under such circumstances, DFID is inclined to use policy-oriented quick-disbursing aid instruments such as budget support, as well as channelling the budget to the

14. According to *DFID Resource Accounts 2006-07* (DFID, 2007, p.3, p.12), DFID has a target of reducing the headcount of UK-based staff from 1,907 in 2004-05 to 1,610 by March 31, 2008. It also has a target of reducing staff appointed in country from 1,162 to 950, which was already met by September 2005 when it reached a total of 914 staff.

programs of international organizations and other donors (for example, through delegated cooperation) under jointly agreed policy frameworks. This is understandable, but proliferation of such aid forms with indirect disbursements may make it difficult for DFID staff, both in London and in the field, to keep track of what is really happening on the ground. The abundance of money and the lack of staff also encourage outsourced research. Greater research funding is welcome in principle, but the associated problems of overburdening the research community, diminishing marginal returns, and imbalance between popular and unpopular topics should be taken into account.

Moreover, as DFID takes leadership in global aid reform, it runs the risks of being perceived as pushing its own model against the models proposed by other donors. On this point, the OECD/DAC peer review of UK aid in 2006 warns as follows:

> British strategic interest in promoting more effective approaches to aid includes a role to motivate bilateral and multilateral donors to act similarly. However, DFID enthusiasm for certain initiatives is not always shared by other partners and British advocacy can be perceived as promoting DFID's own model rather than leading and encouraging complementary donor action….. Broader donor receptivity and collaboration could be possible in a more inclusive and empirical environment for partnership (OECD, 2006, p.11).

Another issue arises from the fiction that global poverty reduction critically depends on DFID's actions. Obviously, poverty reduction in any developing country is influenced by a multitude of political, social, and economic factors, both internal and external. Aid is merely one of these many factors, and the UK is only one donor among many. Requiring DFID to achieve MDGs and assessing its performance only by that criterion is not only arrogant but also absurd. As the year 2015 approaches, should DFID claim victory for all successes or apologize for all failures? No organization should be made responsible for something it can hardly control. It is advisable to make the PSA for DFID more realistic, for example, by introducing medium-term targets that contribute significantly to the attainment of MDGs.

More fundamentally, the feasibility of UK approaches should be questioned. For example, based on the East Asian experiences, Shigeru Ishikawa, Emeritus Professor of Hitotsubashi University and Japan's leading development economist, seriously doubts that the problems of poverty and political structure (neo-patrimonial states) in Africa can be effectively addressed before domestic productive capacity is raised and employment opportunities are expanded to certain critical levels.

> We have been strongly impressed that the aid policy of the British Labor government forms a doctrine supported by a grand design and idealism; however, we cannot help but perceive problems of feasibility when the equality of opportunity and the need to overcome social exclusion—the ethical norms of Prime Minister's *Third Way* (the domestic version of the doctrine)—are simply applied to developing countries. This is because the central problem for social exclusion in the *Third Way* is the structurally unemployed and persons outside the labor force in a mature economic society which results from high growth. By contrast, the central problem for social exclusion in developing countries, especially those in Africa, is the problem of the poor which originates in low levels of productivity and development (Ishikawa, 2005, p30).

The relationship between governance and growth is another point of contention. In the latest resurgence of interest in growth, the UK wholeheartedly agrees with Japan on the vital importance of economic growth in reducing poverty. *Making Governance Work for the Poor*, the DFID White Paper on International Development in 2006, argues that growth is the "exit strategy" for aid and that to reduce poverty quickly, international partners need to put growth at the heart of their relationships with developing countries (DFID, 2006, p.46). To this end, the 2006 White Paper places governance at the centre of growth promotion. It notes that governance delivers or prevents economic growth in two ways: (i) through state capabilities that develop markets, support investment, encourage productivity and technological innovation, and implement regulations and policies; and (ii) through accountable and responsive institutions, policies, and political processes that make economic growth politically and socially feasible.[15]

However, asking low-income countries to abide by a broad range of governance indicators may be unproductive. Currently, a number of research programmes initiated by DFID and involving think tanks and universities are underway to deepen the understanding of the governance-growth nexus. The key concepts in these studies are “good-enough” governance and growth-enhancing governance.[16] The authors try to identify governance criteria, which are narrower than the World Bank’s Worldwide Governance Indicators (WGI), that define minimum conditions conducive to growth promotion (see Chs. 5 & 6). This way of looking at governance may lead to the dynamic analysis of political development in low-income countries. On this point, Ishikawa (2005) notes that the modernization of political structure was the result of the modernization of economic structure in East Asia (also see Ch. 2):

> Based on our knowledge mainly from Asia, we know that changes in old social structure and even, in some cases, political structure can occur in two ways: one through reform of the institutional system or the structure itself; and the other as a by-product of economic development including industrialization…. [W]hen development takes precedence there is a strong likelihood that even if vestiges of the old system remain, the political system will be able to overcome this barrier and move forward provided government and private sector development is sound…. Such evidence can be seen in many successful examples of the East Asian model (Ishikawa, 2005, pp.30-31).

15. Based on the presentation “Governance: Japan and UK Views” by Peter Owen, Senior Governance Adviser at DFID’s Policy and Research Division, in February, 2007.
16. Professor Mushtaq H. Khan of the School of Oriental and African Studies, University of London, has written extensively on “growth-enhancing governance” capabilities (see Khan, 2006, for example). The ODI’s Poverty and Public Policy Group (PPPG) is undertaking a five-year DFID-funded study on power, politics, and the state to explore the possibility of hybrid formal-informal power structures that may be able to provide “good enough” governance. Separately, DFID and ODI researchers are conducting the World Governance Assessment (WGA) project to identify a set of core indicators closely related to good governance.

The latest research on governance in the UK may shed important light on academic and policy debates on the sequence of political and economic reforms. In particular, it may help explain the dynamics behind East Asia's authoritarian developmentalism and the possibility of introducing democratic developmentalism (these topics are discussed in the following chapter).

5. Concluding remarks

The year 2008 is a pivotal year for Japan's development aid. It also offers a window of opportunity for deepening Japan-UK partnership. In 2008 and beyond, Japan should make an important contribution to the development of low-income countries, especially in Sub-Saharan Africa, in a way that reflects Japan's dual experience as latecomer and donor. Japan's efforts will be more effective if they work with the UK for a common goal of African development. Japan's knowledge and experience regarding the politics, societies, and economies in Africa are quite limited. Japan needs to acknowledge the information, expertise, and networks accumulated by British experts, researchers, and private sector entities. As Takahashi (2005) states:

> The key for Japan in contributing to the development partnership is to dig up the experiences of self-help in Japan and East Asia, digest them, and dispatch them as understandable messages to other donors and contemporary poor countries in Africa. The last point is very important. Past arguments for the transfer of experience from Japan and East Asia neglected differences on the side of Africa. The said transfer of experience would be meaningless if Africa had no interest in absorbing it. In this context, we should learn a lot from European struggles in the past (p.18).

In summary, let us reiterate the four reasons for advancing Japan-UK partnership.

First, Japan and the UK are important players in the donor community. In terms of volume, they are the second and third largest ODA providers.

Although prolonged fiscal austerity has forced Japan to cut the overall ODA budget in the past 10 years, it remains committed to the promises made by ex-Prime Minister Koizumi at the G8 Gleneagles Summit in 2005 to double aid to Africa over three years (2005-2007) and to increase ODA by US$10 billion in the aggregate over five years (2005-2009).

Second, Japan and the UK are very different donors with great potential for productive cooperation. Although working among different donors is harder than within like-minded donor groups, the synergy impact is much greater. Aid partnership based on the principle of diversity and complementarity will surely enrich global development strategies and their delivery on the ground. Japan has much experience in growth support that reflects its own catch-up history and development assistance to East Asia. Its approach is often bottom-up with strong field-based real-sector orientation. The UK has deep knowledge and experience in Africa. It is a leading donor in poverty reduction. With effective communication skills, it is also good at designing policy frameworks, conducting policy dialogue, and organizing stakeholder engagement.

Third, the UK's rising interest in concretizing growth initiatives and Japan's desire to make a new contribution in Africa offer an excellent opportunity for bilateral partnership. The British framework approach to growth, such as the recent research on the governance-growth nexus, is highly complementary to the Japanese ingredients approach to growth which pays great attention to concrete elements such as infrastructure, human resources, technology, and small- and medium-sized enterprises, in the context of each developing country.

Fourth, Japan and the UK should encourage emerging donors to support African development. A number of "East Asian Miracle" economies have graduated (or are graduating) from ODA and are willing to become new donors. Countries such as Malaysia and Thailand can not only bring additional resources but, most of all, share with latecomers their recent experiences as aid recipients and fast industrializers under the strong pressure of globalization. The two old donors should set up a mechanism to promote Asia-Africa cooperation. Additionally, they can also contribute ideas to today's latecomers from the sideline.

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