

GRIPS-ODI-JICA Joint Seminar
African Growth in the Changing Global Economy
— How to implement the TICAD IV promises for sustained growth? —

Part I











— How should Africa cope with global financial crisis? —

Part II

— How to implement the TICAD IV promises for sustained growth in Africa? —

———— in Tokyo, Japan (November 27, 2008)

[政策議事録 バックナンバー]

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バングラデシュ開発援助ネットワーク 国別援助政策強化の新たな試み(岡崎克彦)
- No.8 ベトナムの鉄鋼業・貿易政策  発行:2002年10月
ハノイ鉄鋼集中セミナー(2000年10月)
ハノイ・ワークショップ(2000年12月)
<付録> 鉄鋼業・貿易政策に関する日本側見解の要約(2000年12月)
- No.9 Steel Industrial and Trade Policies of Vietnam  Issue: October 2002
Intensive Steel Seminar (Oct 2000)
Second Intensive Steel Seminar (Oct 2001)
<Supplement> Summary of the Japanese Views on Steel Industry and Trade Policy
Produced by Japanese members of Trade and Industry Group (Jan 2001)
- No.10 A Symposium on Industrial and Trade Policies of Vietnam
Under International Integration (Mar 29-30, 2002)  Issue: October 2002

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: ワシントン DC 開発フォーラム



: 日越共同研究プロジェクト

裏表紙に続く

Foreword

This policy minutes compile the presentations and main points discussed at the GRIPS-ODI-JICA Joint Seminar on “African Growth in the Changing Global Economy—How to implement the TICAD IV promises for sustained growth?”, held on November 27, 2008. The seminar was organized by the GRIPS Development Forum and the JICA Research Institute, in collaboration with the Overseas Development Institute (ODI) in UK and African embassies in Tokyo.

The launch of the new JICA on October 1, 2008 gives an important impetus to the effective implementation of the promises made at the TICAD IV and the Toyako G8 Summit, held in Japan earlier this year. On the other hand, the global economy faces shocks triggered by US-originated financial crisis. What are the lessons African countries could learn from Asia and Latin America to sustain their growth? How should international partners—including Japan—follow-up the Yokohama Declaration and support “Vibrant Africa”? Based on these perspectives, this seminar discussed the current global environment and its impacts on the African economy, issues to be considered by the relevant parties in Africa, and the role of donors, especially Japan, in supporting sustained growth in Africa.

The seminar greatly benefitted from the participation of Simon Maxwell, Director of ODI and H.E. Ambassador Elly E. E. Mtango, Tanzania Embassy in Japan. We are also grateful for active participation by African Ambassadors and diplomats, researchers, private sector, NGOs, policymakers and aid practitioners who are interested in African development.

The more detailed information on this seminar can be obtained from the following website of GRIPS Development Forum:

<http://www.grips.ac.jp/forum-e/events/pastevents.htm>

Please also refer to “Proposal for a New African Growth Support Initiative” compiled by the GRIPS Development Forum, based on multi-stakeholder discussions, and presented at this seminar.

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

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

We sincerely hope that the information will contribute to sharpening the focus of Japan’s growth support to Africa.

February 2009

GRIPS Development Forum

GRIPS-ODI-JICA Joint Seminar
African Growth in the Changing Global Economy
—How to implement the TICAD IV promises for sustained growth?—

■ **Organizers:** The National Graduate Institute for Policy Studies (GRIPS) Development Forum and the Japan International Cooperation Agency (JICA) Research Institute—in collaboration with the Overseas Development Institute (ODI) and the African Diplomatic Corps in Tokyo

■ **Date and Time:** November 27, 2008 (Thursday), 9:30-12:00

■ **Venue:** GRIPS Roppongi Campus, Tokyo

■ **Program:**

Part I: How should Africa cope with global financial crisis? 9:30-10:40

(Moderator: Izumi Ohno, Professor, GRIPS)

Presentation 1 “Shaping the future, Two faces of African Development”
Simon Maxwell, Director, ODI

Presentation 2 “Coping with Crisis: Lessons from Latin America and Asia”
Akio Hosono, Professor, GRIPS

Open Discussions

Part II: How to implement the TICAD IV promises for sustained growth in Africa? 10:40-12:00

(Moderator: Hiroshi Kato, Deputy Director, JICA Research Institute)

Presentation 1 “African Growth, Financial Crisis, and Implications for TICAD IV Follow-up”
H.E. Elly E.E.Mtango, Ambassador extraordinary and plenipotentiary

Presentation 2 “Proposal for Japan’s New Growth Support Initiative”
Izumi Ohno, Professor, GRIPS

Presentation 3 “Industrialisation in Africa and Donor’s Functions as Facilitator”
Matsuo Watanabe, Visiting Senior Advisor, JICA

Comments and JICA’s Response “Accelerating Economic Growth in Africa”
Kazunori Oshiyama, Director General, JICA Africa Dept.

Open Discussions

GRIPS-ODI-JICA Joint Seminar
African Growth in the Changing Global Economy
—How to implement the TICAD IV promises for sustained growth?—

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GRIPS-ODI-JICA Joint Seminar
African Growth in the Changing Global Economy
—How to implement the TICAD IV promises for sustained growth?—

Seminar Report

The GRIPS-ODI-JICA Joint Seminar was held on November 27, 2008, with over 100 participants from diverse background—African Ambassadors and diplomats, researchers, private sector and NGOs, policy makers and practitioners who are interested in the African development. The seminar was organized by the GRIPS Development Forum and the JICA Research Institute, in collaboration with the Overseas Development Institute (ODI)—British leading think-tank on international development—and African embassies in Tokyo.

As opening remarks, on behalf of the Joint Seminar Secretariat, Prof. Izumi Ohno greeted participants and explained the background for the seminar. She stressed the importance and relevance of this seminar to confirm and advance Japan’s commitment to Africa development made at the TICAD IV and the G8 Summit earlier this year, especially at the time when the global economy faces uncertainty. The establishment of new JICA is an important push to Japan’s effective support to African development.

Part I: How should Africa cope with global financial crisis?

Presentation 1: Simon Maxwell, Director, ODI, UK

“Shaping the future, two faces of African development”

Mr. Simon Maxwell began by celebrating UK-Japan collaboration, especially the relationships between ODI, JICA and GRIPS. He assessed that Japan has made considerable contributions to the development agenda at the TICAD IV and the G8 Hokkaido Toyako Summit held earlier this year, especially the emphasis on Africa, the commitment to growth, and the over-arching intellectual framework provided by Mrs. Ogata’s work on human security. Japan had also taken a leadership role on climate change. There was a challenge, however: He wondered whether Japan needed to make the case for development more powerfully, given the current inward-looking attitude towards development among Japanese politicians and bureaucrats.

He explained that Africa has two different futures—“happy” and “sad” — and that research institutes such as ODI, JICA Research Institute, and GRIPS, would need to change the content of their research programmes in either scenario. Beginning with the less optimistic

scenario, the current financial crisis will lead to recession rolling out to developing countries, including Africa, through “transmission belts” (trade, FDI, portfolio flows, remittance, aid, etc.). To tackle these challenges, research institutes should quickly offer stories/scenarios, learning from the hard lessons from the Structural Adjustment experiences. It took ten years to change the policy direction of the Bretton Woods institutions. At that time, a story about the need for “Adjustment with Human Face” was very important. A similar emphasis was needed during the current crisis.

There are more optimistic views. Africa has undergone transformation over the last decade, supported by a wide array of initiatives such as MDGs, NEPAD, debt relief, good governance, aid effectiveness. Certainly we need to invest more in good governance in Africa, and donors need to respect their commitments made at the Gleneagles G8 Summit in 2005. (Donor pledges are below 30% of the targets, and Italy, which will host the 2009 G8 Summit, already announced a 58% cut in its aid budget.) Still Africa’s recent growth (averaging at 5-6% per year) is good and a significant step toward achieving poverty reduction. The recent growth has also enabled some countries—Senegal, Ghana, and Uganda for instance—to approach middle-income country status. Thus, important progress is being made.

In this more optimistic scenario, the development agenda changes and again presents challenges to research institutes. There are three big challenges, over and above the MDGs. First the entry of China into the world economy requires analysis of a new globalization, especially the manufacturing prospects for poor countries. Second, development, security and foreign policy are increasingly linked, especially in fragile states where aid is most likely to be concentrated. Third, attention has begun to shift from national development policy to regional and global public goods: the financial crisis and climate change are two examples. Each of these themes presents new research challenges.

To put this in context for research institutes and think-tanks, they should be mindful of three Cs: (1) extend the coverage; (2) strengthen the capacities of developing countries and researchers; and (3) communicate and disseminate quickly the outcomes of their work. On the latter, ODI encourages the staff to use the Policy Brief rather than conventional instruments, for example, lengthy research papers.

In concluding his presentation, Mr. Maxwell emphasized his belief that Africa would have positive future despite the current difficult situations.

Presentation 2: Akio Hosono, Professor, GRIPS

“Coping with Crisis: Lessons from Latin America and Asia”

With his long academic and practical experiences in Latin American and Caribbean countries (LAC), Prof. Hosono shared the Latin American and Asian experiences on financial crises, with specific reference to how these regions/countries coped with the crises and what are lessons and insights for African development. He briefly explained the macroeconomic situation before and after the crises in Latin America and Asia: both regions undertook a series of macroeconomic reforms to overcome the financial crises, which contributed to improving their fundamentals, thus reducing the vulnerability to adverse external shocks.

In the process of post-crisis reforms, competitive sectors and enterprises have emerged in both regions, thanks to the government’s strong supportive policies to promote economic efficiency. Prof. Hosono emphasized that supporting the real-economy sector and enterprises is also important to reduce the vulnerability against external shocks. Regional integration was also crucial in reducing the vulnerability as well as enhancing the competitiveness, especially in the East Asian context. While LAC had also worked for strengthening regional integration, the result was rather mixed. Prof. Hosono stressed that the *de-facto* regional integration in Asia—especially, FTA, regional cooperation such as Cheng Mai Initiative, and physical integration by regional or sub-regional infrastructure—proved to be effective, and African countries can learn from the Asian experiences. Regional integration in Asia is market-led, compared to that of LAC which has been driven by the formal process.

He concluded that the Yokohama Action Plan, one of the major outcomes of the TICAD IV process (whose implementation status will be monitored on an annual basis), is significant not only to attain sustainable economic growth but also to cope with crisis. He stressed the importance of highlighting a regional aspect in promoting infrastructure projects in Africa.

Open Discussions

Two faces of Africa

Regarding African future, many African participants commented that Africa has both “happy” and “sad” faces. While there is a tendency to highlight the latter aspect (“sad” face), Africa also has a bright face, as witnessed by the successes of Mauritius and Botswana. In this context, it is important to deepen the understanding of what have been the drivers of growth. On the other hand, an African participant reminded that “big elephant” issues also reside within Africa itself and that Africa must address the cases of Congo-Kinshasa, Sudan, and

Zimbabwe.

Coping with the financial crisis

Concerning Prof. Hosono's presentation, a Japanese researcher added that political stability is also crucial in managing and overcoming the financial crisis. An African participant commented that economic development/management is closely linked to political management and asked how such aspect could be addressed in the TICAD IV follow-up. Another African participant emphasized the importance of integrating African countries into the global production system such as value chains, although current development debates do not fully address such business aspects.

Prof. Hosono agreed on the importance of political stability. Regarding global production system, he stated that it is necessary to change our way of thinking and that in this respect, the newly launched *WDR 2009: Reshaping Economic Geography* (World Bank) provides an interesting framework. He suggested the need to introduce new analytical tools.

There were comments on how to prioritize development challenges, especially what are immediate solutions for coping with the current economic crisis, especially for African countries, and the role of various stakeholders. Prof. Hosono responded that a "happy" face solution needs a couple of measures, but that the recipe cannot be generalized. Even the short-term impacts differ among countries (food importing countries, resource-rich countries, etc). Nevertheless, it is necessary to assist those countries that are seriously hit by the crisis.

On this point, Mr. Maxwell said that some observers thought the crisis would be long-lasting (even as long as twenty years in some cases) and would derail growth prospects. He urged the African governments immediately to start scenario planning exercises so that they could better navigate development processes under the uncertain global environment.

Growth and inequality

Some participants shared their concerns about the distributional effects of the current growth: according to an aid practitioner lived in Zambia, growth benefitted only a small part of the population living in the capital city, and the poor people will be seriously hit by the current financial crisis. He stressed that the donor community should take actions under such a circumstance. Another participant commented that the current GDP growth is pushed by the development of natural resources, which could possibly be another field of exploitation and might aggravate the existing disparities among the population.

To sum up the discussions, Mr. Maxwell shared his view that Africa has achieved important progress. Growth is important to poverty reduction, and many institutions and professionals (the World Bank, the Commission on Growth and Development, Prof. Paul Collier, etc.) have been working hard to identify the drivers of growth. Especially Collier's book offers a very good insight into this issue, laying out four factors that impede growth. Although every country is different and a country-specific approach is necessary, it seems that infrastructure is one of the important drivers of growth, as the experiences of LAC and Asian countries suggest. On inequality, he stressed that investment in social protection is important and that donors should also help to manage inequality in the country.

Part II: How to implement the TICAD IV promises for sustained growth in Africa?

Presentation 1: H. E. Elly E.E. Mtango, Ambassador Extraordinary and Plenipotentiary “African Growth, Financial Crisis, and Implications for TICAD IV Follow-up”

H. E. Elly E. E, Mtango, Ambassador to Tanzania, began by noting the current situation in Africa. He said that in the period before the global financial crisis, Africa enjoyed 10 years of sustained growth during which GDP grew by an average 5% per annum. However, the financial crisis arose just as African economies were turning the corner. Ambassador Mtango went on to say that although African banks, in general, are not suffering from the credit crisis (since they are less exposed to the global credit system), economic slowdown in Europe and America, the so-called secondary effect, has had a significant impact on African countries. The overall growth forecast for the continent has already been lowered from 6.5% to 5%. Tanzania also downgraded growth forecast to 7.5% down from 7.8%. He explained the effects on the economy and trade, foreign direct investment, capital and equity markets, the banking system, ODA, the tourism industry, remittances from the African diaspora, foreign reserves, and the achievement of the Millennium Development Goals (MDGs).

In closing, Ambassador Mtango referred to the implications of the current financial crisis for TICAD IV. TICAD IV is considered a great success because of its enhanced focus on economic growth. The global financial crisis, however, puts in jeopardy the implementation of commitments of TICAD IV. He urged donor countries to uphold their commitments to Africa.

Presentation 2: Izumi Ohno, Professor, GRIPS “Proposal for a New African Growth Support Initiative”

Prof. Izumi Ohno's presentation began by focusing on TICAD IV and the current global

environment. She asserted that TICAD IV can be taken as a departure from previous conferences, in that it demonstrates Japan's serious engagement in Africa and its willingness to share East Asian experiences. The current global financial crisis is testing Japan's commitment to African development. Prof. Ohno introduced some points from "the Proposal for a New African Growth Support Initiative" published by GRIPS Development Forum in August 2008. The proposal is for Japan to immediately formulate overall and country-specific assistance visions for African development. Regarding the incorporation of East Asian perspectives, she asserted that a standard "East Asian model" does not exist, and that dynamic capacity development—which has been long practiced in Asia—is also important for Africa. She explained "four entry points" for Japan's deeper and long-term engagement in Africa (i.e., mobilizing aid to realize the existing vision, continuous policy dialogue, building core infrastructure and aligning aid and other programs, mobilizing aid to facilitate FDI projects) and gave some examples of the provision of Japanese ODA. She made four requests for the Japanese government and the new JICA and emphasized the importance of a new initiative for public-private partnerships, which is based on the TICAD IV commitment.

**Presentation 3: Matsuo Watanabe, Visiting Senior Advisor, JICA
"Industrialisation in Africa and Donor's Functions as Facilitator"**

For Africa to realize the decades-long issue of economic diversification and sustained growth, Dr. Watanabe argued industrial policy (IP) could be a viable means. He summarized the key principles in pursuing IP: e.g. local context matters; and selection of target sectors needs clear criteria. To address the traditional problems of IP (e.g. rent-seeking and corruption), entire process has to be transparent, and an institution of significant public-private partnership is of help. He stressed international community allow broader role of government (depending on institutional capacities of individual countries), diverse development strategies, and inevitable experimental failures in the trial-and-error process—which contributes to improving social institution through the leaning-by-doing. He then introduced a hypothetical framework for considering the role of external actors in IP process with particular reference to a JICA's investment promotion project in Zambia. He presented donor's roles as a facilitator in Africa's IP process: (1) information management; (2) consulting; and (3) serving as catalyst and back-ups. He criticized past donor practices which simply told developing countries "what to do", but did not necessarily work *with* these countries to find "how to do". As such he advocated "Consulting Aid" in the way business consulting services works for clients. Dr. Watanabe concluded by noting that Zambia's experience suggests a possibility that donor assistance could fill some of the gaps faced by Africa (e.g. the gap intention and implementation; inter-regional income/capacity gaps) and that donor assistance could help African countries to unleash their own dynamic potentials.

Comments and JICA's response: Kazunori Oshiyama, Director General, Africa Department, JICA
“Accelerating Economic Growth in Africa”

Mr. Oshiyama stated that as a practitioner, he is optimistic about African development and outlined JICA's four strategies for Accelerating Economic Growth for Africa. These are: (1) regional infrastructure development (roads, ports, and electricity networks); (2) strengthening public-private partnerships; (3) partnerships with international financial institutions; and (4) focusing on activities for economic growth. He introduced some of JICA's projects, for example, assistance for major development corridors such as Nacara (northern Mozambique), the energy sector for infrastructure assistance, and the Toamasina Port in Madagascar (as an example of public-private partnerships). In terms of promoting economic growth in Africa, he also spoke on the other JICA activities such as One Stop Border Posts (OSBP), Michi-no-Eki (roadside stations), the Coalition for African Rice Development (CARD), One Village One Product (OVOP), Enhanced Private Sector Assistance for Africa (EPSA) which is based on the collaboration with the African Development Bank, and the Techno Park in Tunisia.

Open Discussions

TICAD IV follow-up

Several African ambassadors commended the TICAD IV results and its uniqueness from the previous conferences, stating that it encompasses the African perspective on the importance of private sector engagement. In this regard, the Yokohama Action Plan is a crucial document, and its follow-up is essential. While Japan should keep its promise of doubling ODA to Africa, it is vitally important to increase Japanese private sector investment. This is a key element of the Yokohama Action Plan. It is right that TICAD IV focused on infrastructure development (e.g., road network, power) and cross-border posts because these facilitate intra-regional trade. In this sense, it is important to ensure that a country-specific program can be extended to the regional level.

Regarding potential negative effects of the financial crisis on the TICAD IV promises as stated by Ambassador Mtango, a Japanese participant reminded that the implementation of TICAD IV will be monitored every year. This should serve as opportunities not only to monitor, but also to improve the agenda so that both African governments and donors including Japan could cope with the changing environment surrounding African countries.

An African ambassador shared his concern that in Africa, growth often leads to rural-urban

gaps. It is important to ensure that the rural people benefit from the fruits of growth. The rural people have no investment stock, with 70% of them living below the poverty line. It is right that Japanese ODA puts infrastructure in place; at the same time, FDI investment is very much needed. While the Japanese business sector tends to consider Africa far away, this perception needs to be changed with the support of the academia.

Proposal for a New African Growth Support Initiative

There is broad support to the thrust of the proposal compiled by the GRIPS Development Forum, which served as the secretariat for the multi-sector discussion group on Japan's New African Growth Support Initiative. One of the African ambassadors gave his concurrence with Prof. Ohno's views that each individual country needs a country-specific policy, but noted that it is difficult for African countries to benefit only from Japanese ODA. Japan should place greater emphasis on the role of the private sector. In relation to this, he showed interest in the growth experiences in Asia and the role of Japanese private sector in the process. Speaking of Japan's "entry points" in Africa, he stressed that Japan should rather join up with other partners who have been supporting African development for long.

Another ambassador concurred that the GRIPS proposal is very good. Since Ethiopia has a long-term development vision (ADLI: Agricultural Development Led Industrialization) and industrial policy, Asian experiences are very relevant to the country. He welcomed Japanese support to realize the vision and policy.

Prof. Ohno thanked African ambassadors for their general support to the GRIPS proposal. Regarding the question on "entry points," she agreed that Japan is a newcomer and a modest donor in terms of aid volume, compared to the other donors. Therefore, Japan's engagement in Africa must be put in a partnership context. In fact, this is one of the basic principles of the GRIPS proposal.

Policy coherence

One of the African ambassadors raised the issue of policy coherence between ODA and agricultural policy: JICA provides new rice support (NERICA: New Rice for Africa), and consequently, the rice will be exported as well as consumed locally. However, Japan takes a different stance at the WTO negotiations, and its rice imports are strictly regulated. Under such circumstances, there is no market for African countries.

On this point, Mr. Oshiyama responded that since Africa's rice production is still low, it is

premature to link Japan's new rice support to the WTO negotiations. Prof. Ohno admitted problems associated with policy consistency in Japan. For example, EPA negotiations always come to a standstill because of the agricultural issues. Strong leadership and inter-ministerial coordination are essential to improve policy coherence in Japan. Japan scores poorly in the Commitment to Development Index (CDI) devised by the Center for Global Development (a US think tank). This is primarily due to its immigration and agricultural policies, rather than ODA itself.

Learning from UK experiences

A participant acknowledged that the UK has a long experience of supporting Africa, and the Japanese development community would have to learn from this. He questioned how the UK thinks of JICA's assistance compared to its development assistance experiences.

Mr. Maxwell responded that he was impressed by today's presentations by Japanese experts and practitioners, all of which are very professional and concrete. Nevertheless, he felt that there exists a "missing element" throughout today's discussions—i.e., policy environment. Such perspective should serve as a link between the global financial crisis, the GRIPS proposal, and Japanese ODA.

Prof. Ohno commented that there is ample scope for fruitful collaboration between the UK and Japan. The UK has rich experiences in terms of providing development assistance to Africa, compared to Japan, which has more extensively worked in Asia. Their assistance approaches are also different: the UK excels in policy dialogue while Japan is good at field-based, process-oriented work. Because of such diversity, the two countries can complement each other and work together to support African development.

Coordination with China and South Korea

An African researcher asked Mr. Oshiyama his views on policy coordination between Japan and China in African development. Mr. Oshiyama replied that currently there exists no coordination between the two countries, but that the time has come to start discussing this matter. In light of China's important role in African development, Japan should positively collaborate with the country.

In connection with the TICAD IV follow-up, an African ambassador proposed a possibility of setting up a coordination mechanism among China, South Korea, and Japan. Such donor coordination and engagement—not rivalry—are crucial and beneficial for Africa.

State capacity building and Asian experiences

Another African ambassador stressed the importance of paying attention to the role of the state and suggested the need for capacity building for a developmental state. Regarding industrial development, education and skills are important; but in Africa, they do not translate into industrial development, especially in rural areas. Highly-educated people are unable to find proper jobs. Rural areas in Asian countries are much better than those in African countries (for example, small-and medium-enterprises, supporting services), and he was particularly attracted by “Michi-no-Eki”. He stressed the importance of learning rural development from Asian experiences.

Prof. Hosono explained that the Japanese approach to capacity building is process-oriented and based on joint work. In various cooperation activities, the Japanese and their counterparts have worked together and learned through practices.

Concluding Remarks

Mr. Hiroshi Kato, Deputy Director of the JICA Research Institute, thanked ambassadors and the other participants for their giving valuable comments throughout the seminar. He reflected the discussions as follows.

With reference to a statement by an African ambassador about the importance of paying greater attention to the people, Mr. Kato stressed that this precisely corresponds to the concept of “Human Security” which Mrs. Sadako Ogata, JICA President, emphasizes. Regarding the role of ODA, he concurred with the participants that while ODA can play an important role, it is only a limited part of the development process. Thus, the relation between Africa and Japan should be amplified, going beyond ODA. Nevertheless, as many ambassadors stressed, it is important to monitor how Japan keeps the promise of TICAD IV. He also thanked an ambassador who highlighted the importance of state building and industrial development.

Mr. Kato also thanked the GRIPS team, including Prof. Ohno for sharing her insights for ideas on new possibilities Japan can export in extending support to African development, and Prof. Hosono for his valuable contributions to highlighting the importance of regional economic integration and industrial competitiveness, with infrastructure development as a key entry point.

Lastly, he concluded that while this seminar started with the discussions on the current global

financial crisis and all the partners are urged to act quickly, it is also important not to lose sight of medium-and long-term economic development in Africa.

ANNEXES

Slide 1



GRIPS-JICA Seminar


Simon Maxwell
27 November 2008

Slide 2





- Partners in development
- Two possible futures for our work in Africa
- Implications for our programmes
- Coda: the three Challenges for our Institutes



Slide 3



Learning from Japan



- Human security
- Private Sector
- Growth
- Infrastructure
- Cool earth
- Vibrant Africa



Slide 4




Slide 5



Two possible futures: both very different



Slide 6



Facing the current crisis

	Projections		Difference from WEO of October	
	2008	2009	2008	2009
World output	3.7	2.2	-0.2	-0.8
Advanced	1.4	-0.3	-0.1	-0.8
Sub Saharan	5.4	5	-0.7	-1.3
Developing Asia	8.3	7.1	-1	-0.6
China	9.7	8.5	-0.1	-0.8
India	7.8	6.3	-0.1	-0.6
WHemisphere	4.5	2.5	-1	-0.7

Transmission belts:

- Price and quantity of exports
- FDI
- Portfolio flows
- Remittances
- Aid?

Slide 7

 **What is our 'narrative'?**

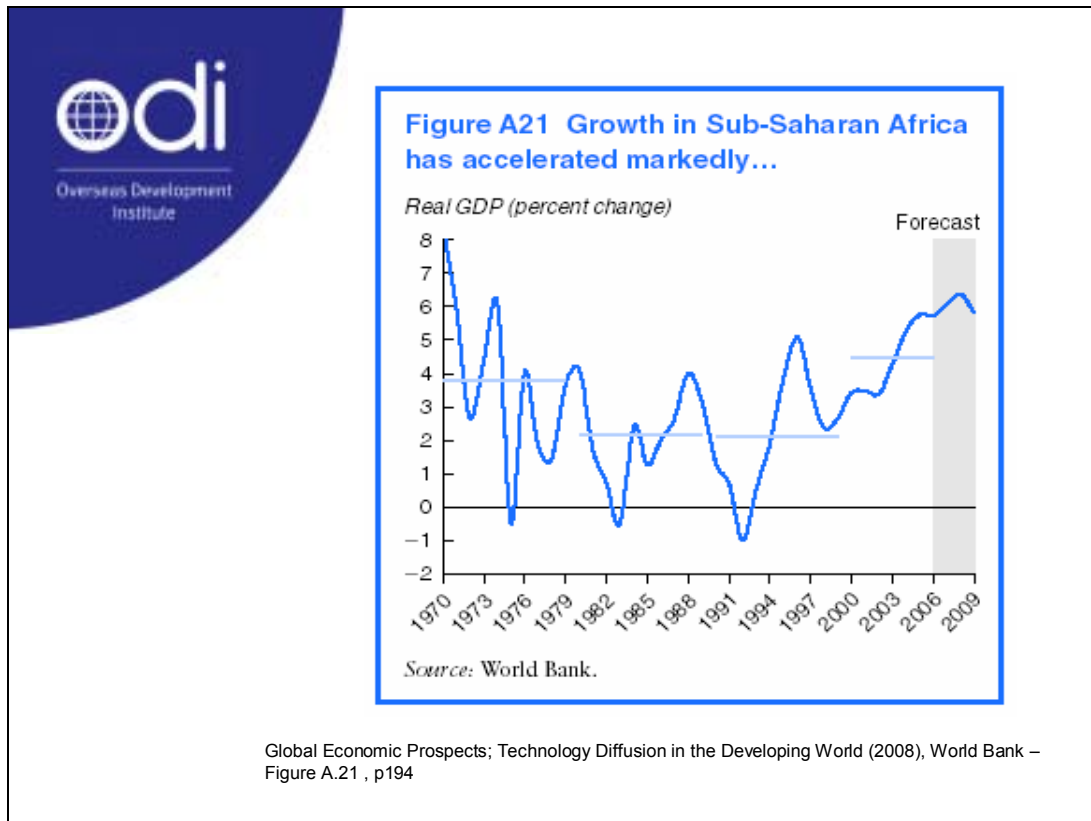
- Recognise risks and vulnerabilities
- A principled response
- Make the case for development
- Micro and macro instruments
- A holistic response
- The importance of collective action

Slide 8

 **Two possible futures: both very different**



Slide 9



Global Economic Prospects; Technology Diffusion in the Developing World (2008), World Bank – Figure A.21 , p194

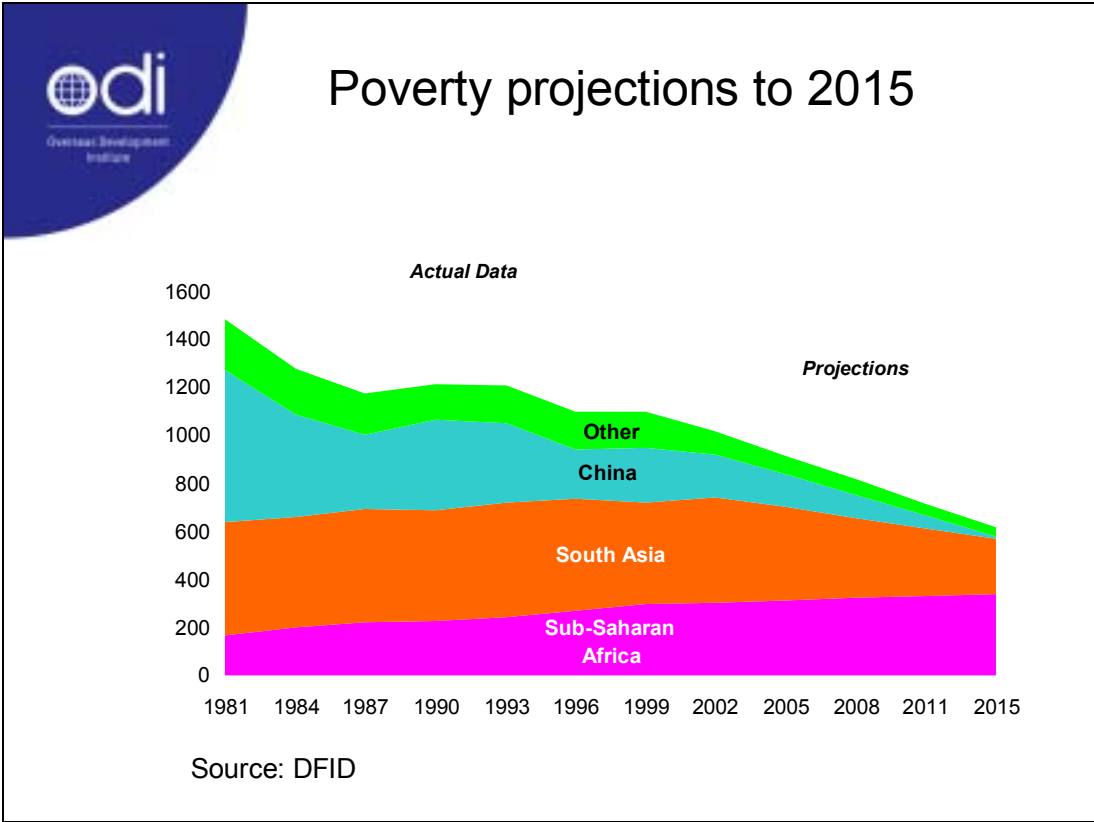
Slide 10

The rise of middle income countries

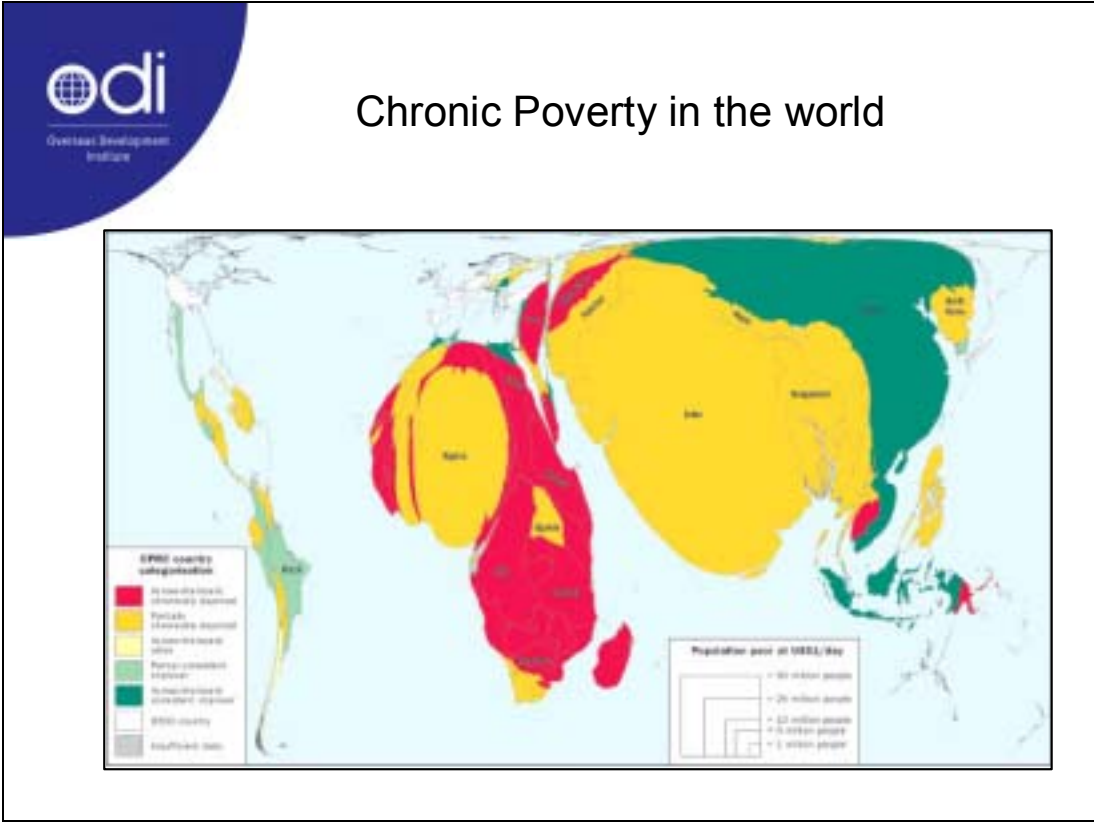
With per capita growth at 3% p.a.:	With per capita growth at 5% p.a.:
<ul style="list-style-type: none">• India is a MIC by 2010• Senegal by 2010• Pakistan by 2013	<ul style="list-style-type: none">• India is a MIC by 2008• Pakistan and Senegal by 2009• Bangladesh by 2017• Uganda by 2028

N.B. Low income = per capita income <\$ US 825 p.a. (2004)


Slide 11

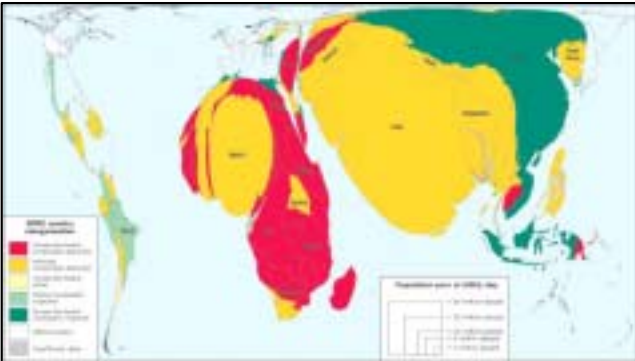


Slide 12



Slide 13

 **The 20% Club and the 0.2% Club**



By 2015:
No of IDA eligible countries down from 49 to 38

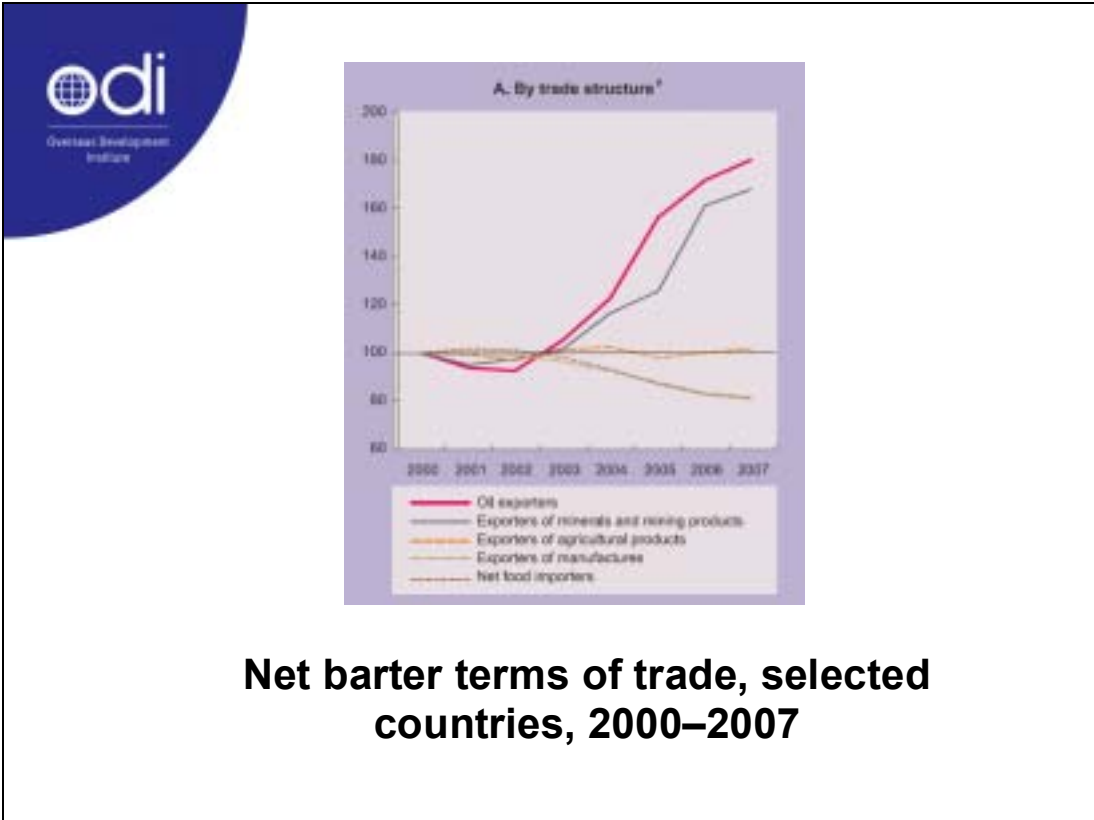
No of people in those countries down from 2.5 bn to 1.1 bn

Slide 14

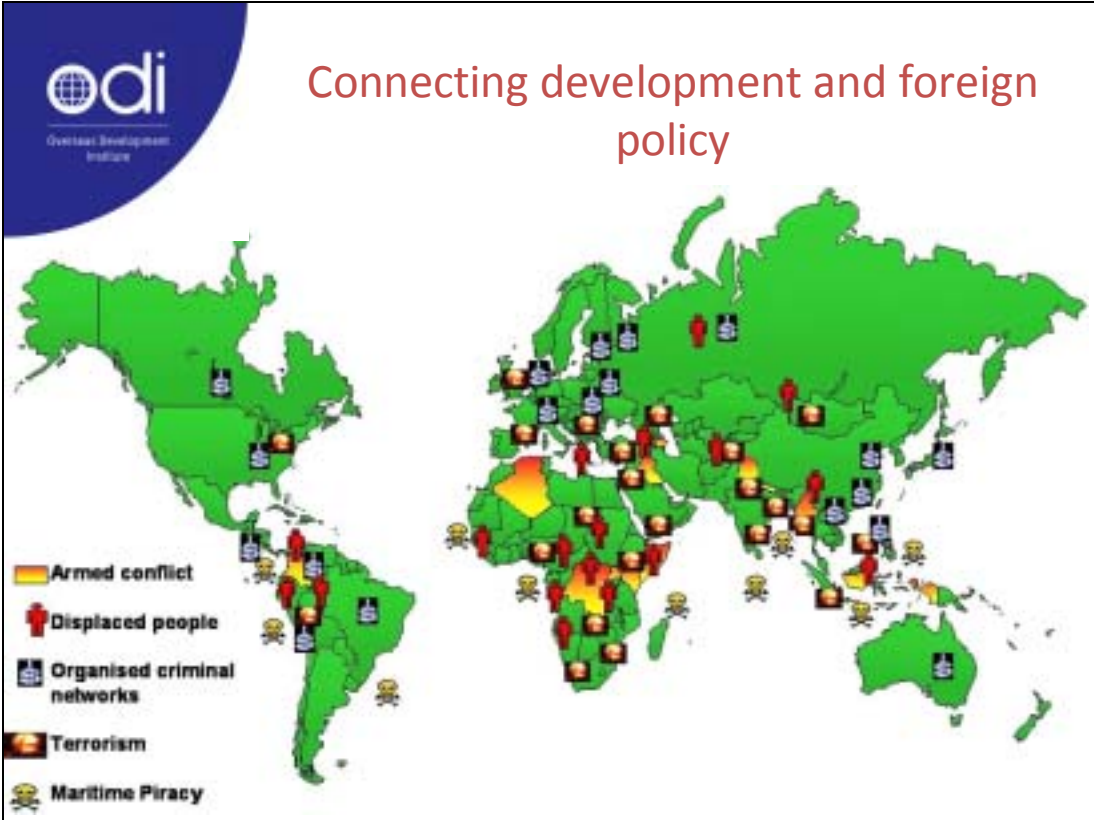
 **Three elephant issues**

- **China and the analytics of globalisation**
- **Security and development**
- **The shift from national development to global public goods**

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Slide 16



Slide 17

 Overseas Development Institute

A wider perspective on development cooperation





Slide 18

 Overseas Development Institute


Using aid differently

- From:
- To:





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Implications

- Messaging
- Spending
- Institutions


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Messaging

- Recognise risks and vulnerabilities
- A principled response
- Make the case for development
- Micro and macro instruments
- A holistic response
- The importance of collective action

Slide 21


 **Content**

- Better instruments
- Better geographies

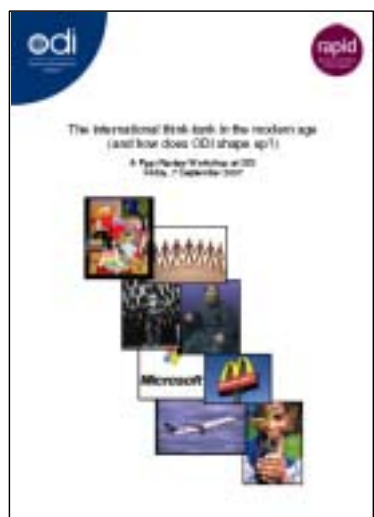


The map displays various international risks across the globe. The legend includes: Armed conflict (yellow square), Displaced people (red circle), Organised criminal networks (blue square), Terrorism (orange square), and Maritime Piracy (yellow circle). The map shows a high concentration of risks in the Middle East, North Africa, and parts of South America and Southeast Asia.

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 **Coda: the three Cs**

- Coverage
- Capacities
- Communications



The cover of the report features the ODI logo and the 'rapid' logo. The title is 'The International Risk Index in the modern age (and how does CDI shape up?)'. Below the title, there are several small images: a group of people, a person in a boat, a person in a car, and a person in a plane. The text on the cover includes 'A Policy Paper by ODI' and '14th September 2011'.


Slide 1



Coping with Crisis: Lessons from Asia and Latin America

Akio Hosono
National Graduate Institute for Policy Studies

Slide 2



I. Introduction

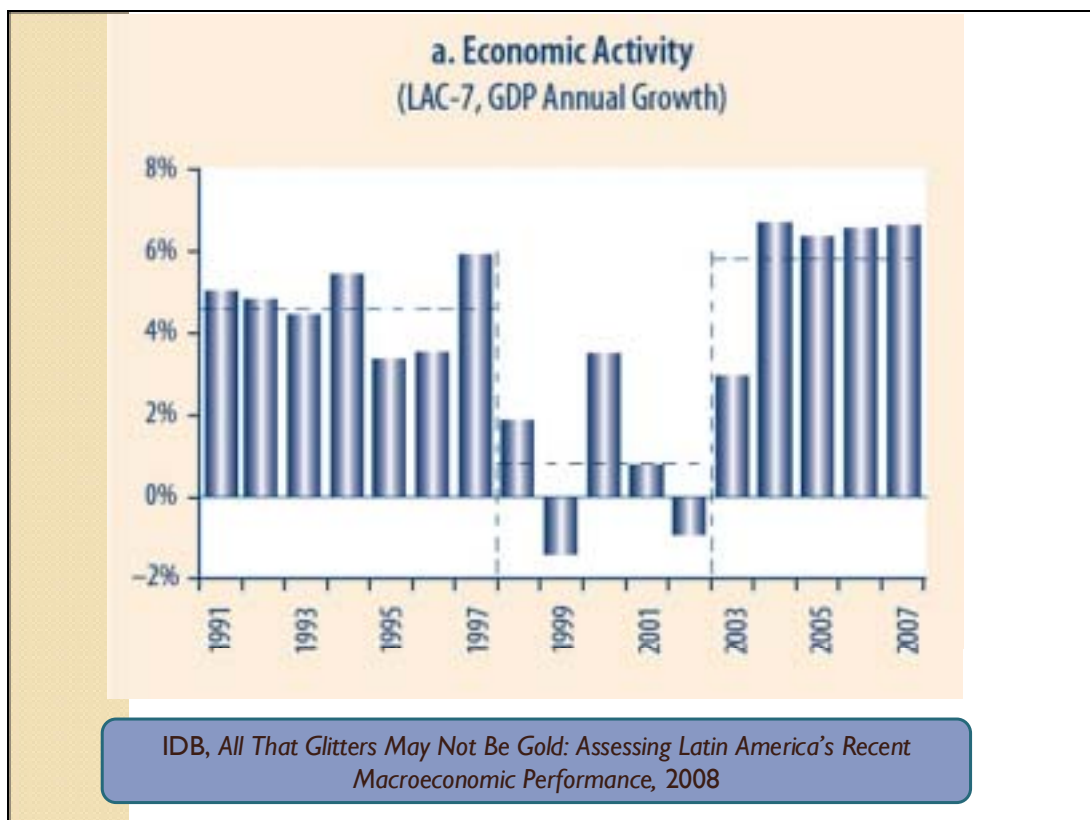
- Both Asia and Latin America experienced serious financial crises.
- Both regions recorded high rate of growth with sound macro-economic conditions after financial crisis and reforms
- Common and different lessons Asia and Latin America learned from their crises and reforms could give us useful insight for African development

Slide 3

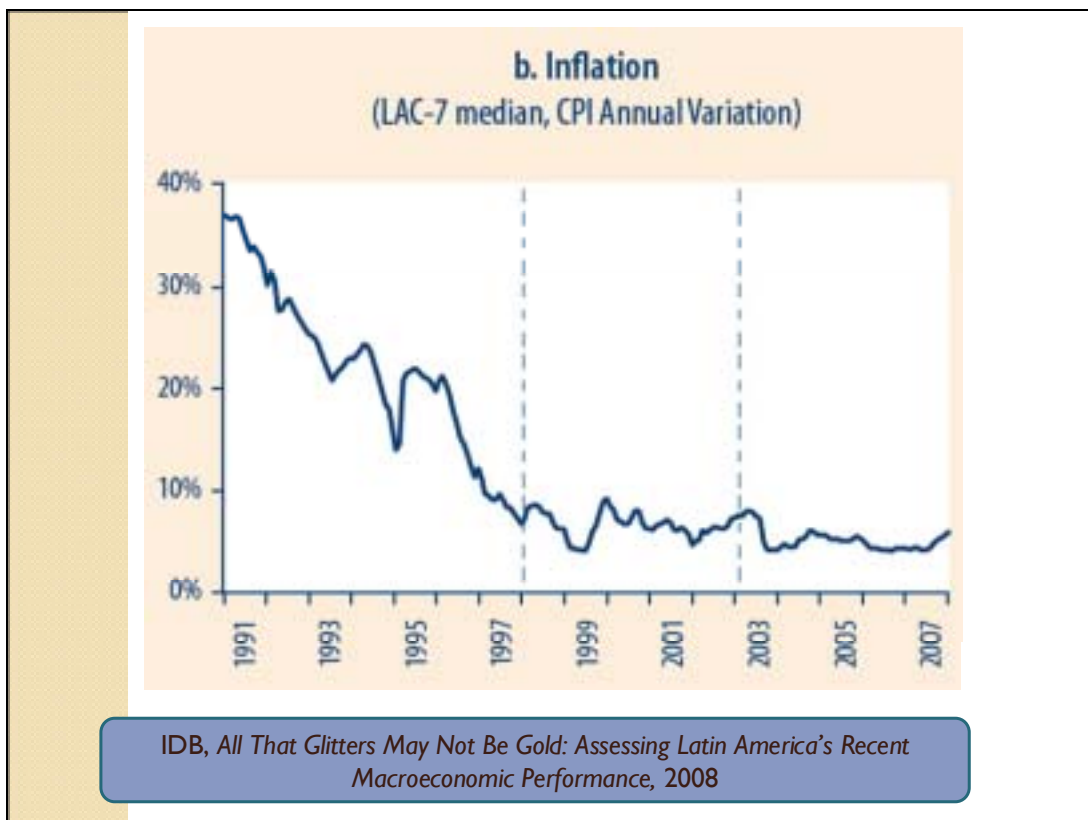
2. Latin America: Repeated Crises and Recovery

- 1982: Debt Crisis in most of Latin American countries
- *Reforms in 80s and 90s*
- 1994: Financial crisis in Mexico
- 1998: Financial crisis in Brazil
- 2001: Financial crisis in Argentina
- 2003-07: Recovery (6% growth per year, the highest rate since 70s) with lower inflation rate
- LAC 7 (Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela) account for 91 % of LAC's GDP

Slide 4



Slide 5



Slide 6

Latin America:
Lessons learned from crises

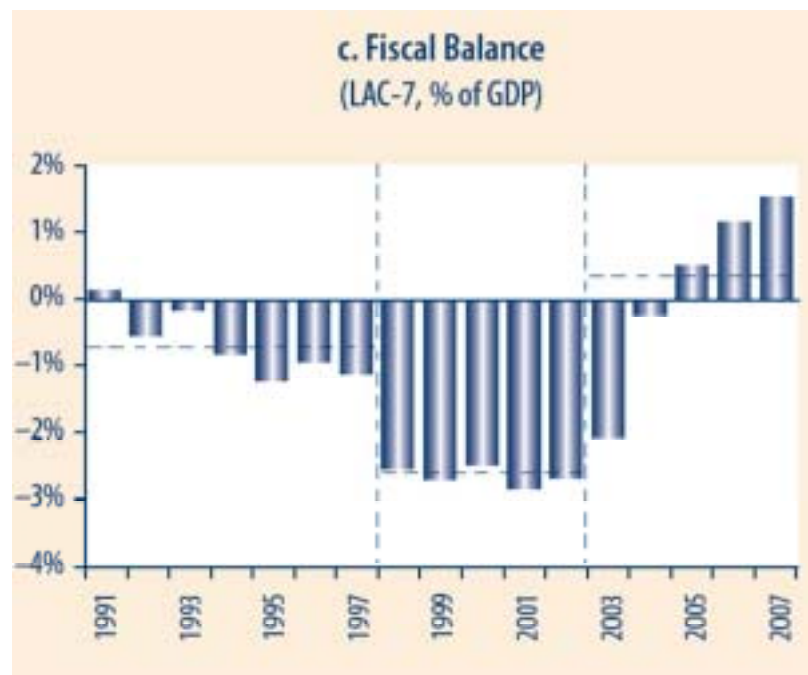
- Improvement in fundamentals made Latin America less vulnerable to adverse external shocks and financial crisis.
- Improvement in fundamentals allowed Latin America to sustain high levels of growth in last five years 2003-07.
(Together with favorable external factors: strong world growth, high commodity prices and benign financial conditions)

Slide 7

LAC: Sound Economic and Financial Policies

- Fiscal position: regions' overall surplus of 1.5% of GDP in 2007
- At the peak of the previous expansionary period LAC 7 exhibited a fiscal deficit of 0.9% of GDP
- Brazil: a sizable primary surplus (overall deficit due to a high debt burden)
- Other LAC 7: in balance or a surplus

Slide 8



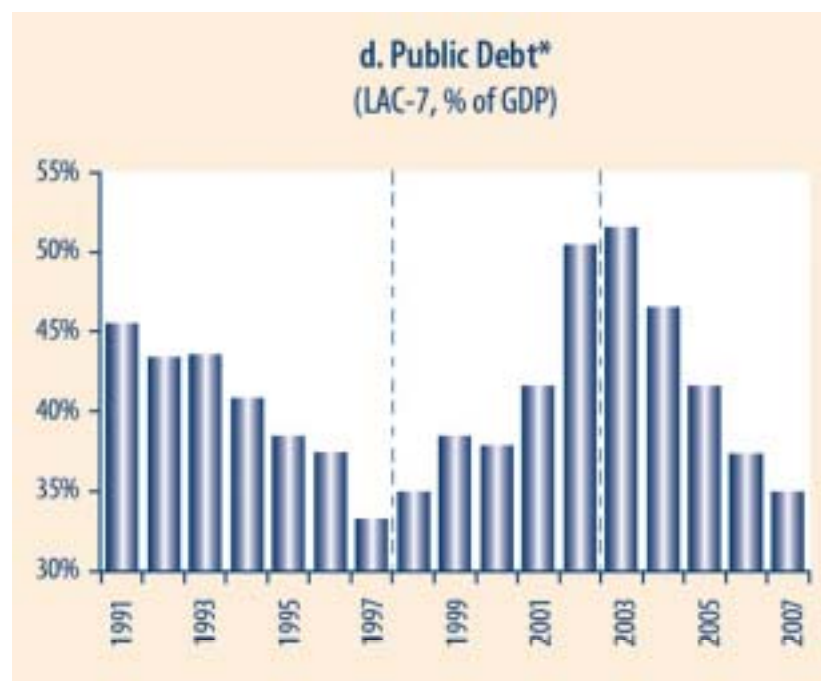
IDB, *All That Glitters May Not Be Gold: Assessing Latin America's Recent Macroeconomic Performance, 2008*

Slide 9

LAC: Lower debt levels and less risky debt

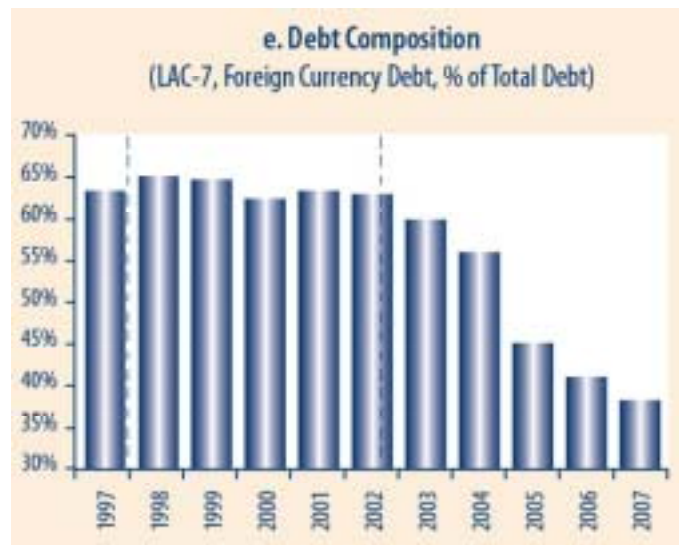
- Significant reduction in public debt levels: from 51 % of GDP in 2003 to 35% in 2007
- Debt riskiness has been reduced (Risky debt includes foreign- currency debt, short-term debt and variable interest rate debt)
- Major improvement in debt composition: Foreign-currency debt in total public debt fell from 65 % in 1998 to 38 % in 2007
- Maturity has been lengthened: Public debt maturing in the next twelve months has declined from 6.9 % of GDP to 4.8% of GDP

Slide 10



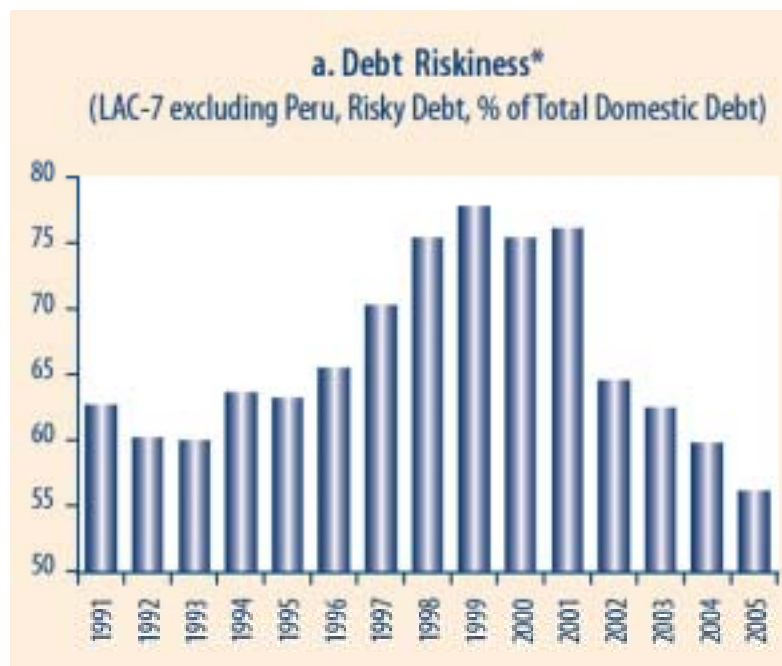
IDB, *All That Glitters May Not Be Gold: Assessing Latin America's Recent Macroeconomic Performance, 2008*

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IDB, *All That Glitters May Not Be Gold: Assessing Latin America's Recent Macroeconomic Performance, 2008*

Slide 12



IDB, *All That Glitters May Not Be Gold: Assessing Latin America's Recent Macroeconomic Performance, 2008*

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LAC: Reduced Exposure to External Shock

- Improvement in the current account: LAC 7 from a deficit of 3.0% of GDP in 1997 to a surplus of 2.2% of GDP in 2007
- Strong build-up of international reserves
- Pre-crisis: Previous expansions were associated with large current account deficit and thus, heavily dependent on a steady flow of external financing
- Post-crisis: Exposure to sudden stops in capital flows has been mitigated

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IDB, *All That Glitters May Not Be Gold: Assessing Latin America's Recent Macroeconomic Performance, 2008*

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FIGURE 10 Capital Flows to Latin America
(LAC-7, Billions of US Dollars)



IDB, *All That Glitters May Not Be Gold: Assessing Latin America's Recent Macroeconomic Performance, 2008*

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g. International Reserves**
(LAC-7, Billions of US Dollars)



IDB, *All That Glitters May Not Be Gold: Assessing Latin America's Recent Macroeconomic Performance, 2008*

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Impact of the current financial turmoil to Latin America

- ***As mentioned, improvement in fundamentals made Latin America less vulnerable to adverse external shocks and financial crisis.***
- ***However,***
- LAC have not “decoupled” themselves from advanced nations: Some of them are still fragile and affected by the current financial turmoil (According to Sebastian Edwards, Ex-chief economist for LA, VVB), and therefore
- Price of stocks lowered in LAC stock exchanges
- LAC's currencies depreciated
- In some of LAC, cost of external financing soared

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- Some of LAC “need to create a robust economy with a high and sustainable growth rate.” **“Agility, dynamism, productivity and economic policies that promote efficiency and enterprises are required.”** (Sebastian Edwards, Ex-chief economist for LA, VVB)
- LAC need to strengthen regional integration and cooperation to reduce their fragility

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Competitive sectors and enterprises

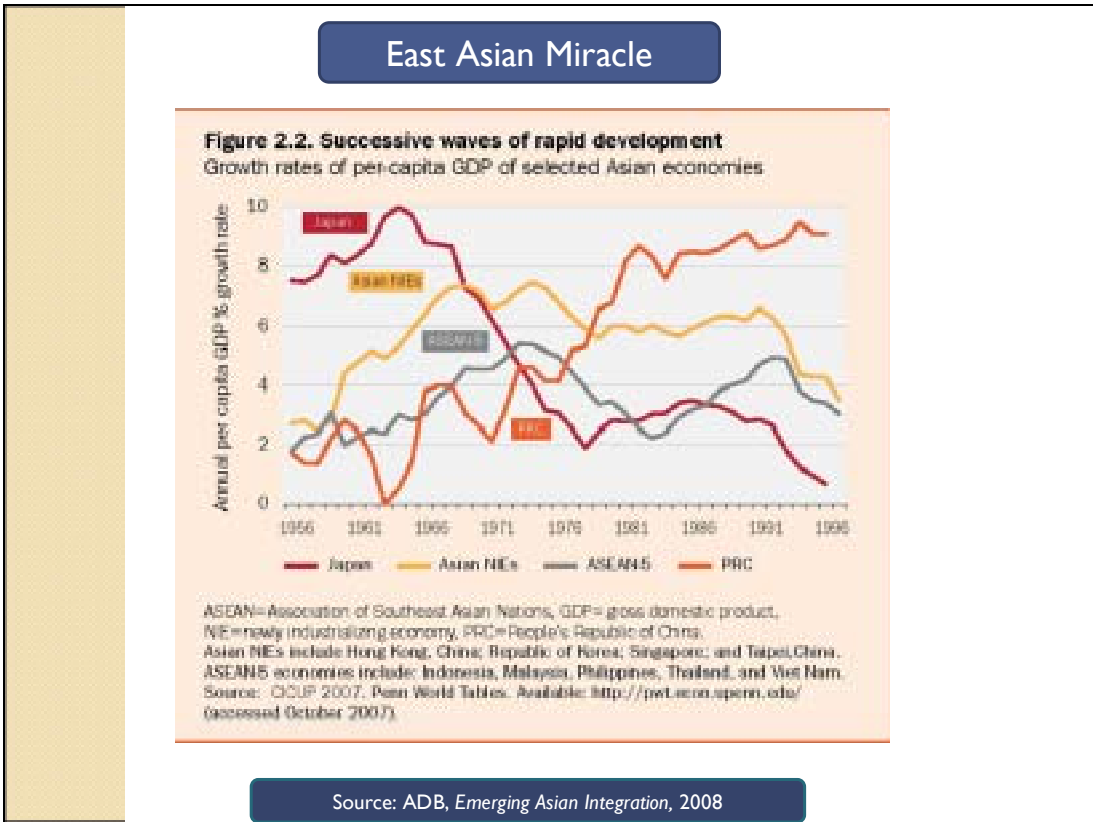
- In the process of reforms after crises, competitive sectors and enterprises have emerged in Latin America such as:
- Car and electronics industries in Mexico (due to NAFTA and other FTA or EPA)
- Car, steel, electronics, agro-industry, etc. in Brazil
- Natural resource related sectors, non traditional export sectors in Chile
- However, as mentioned above, **economic policies that promote efficiency and enterprises are required**

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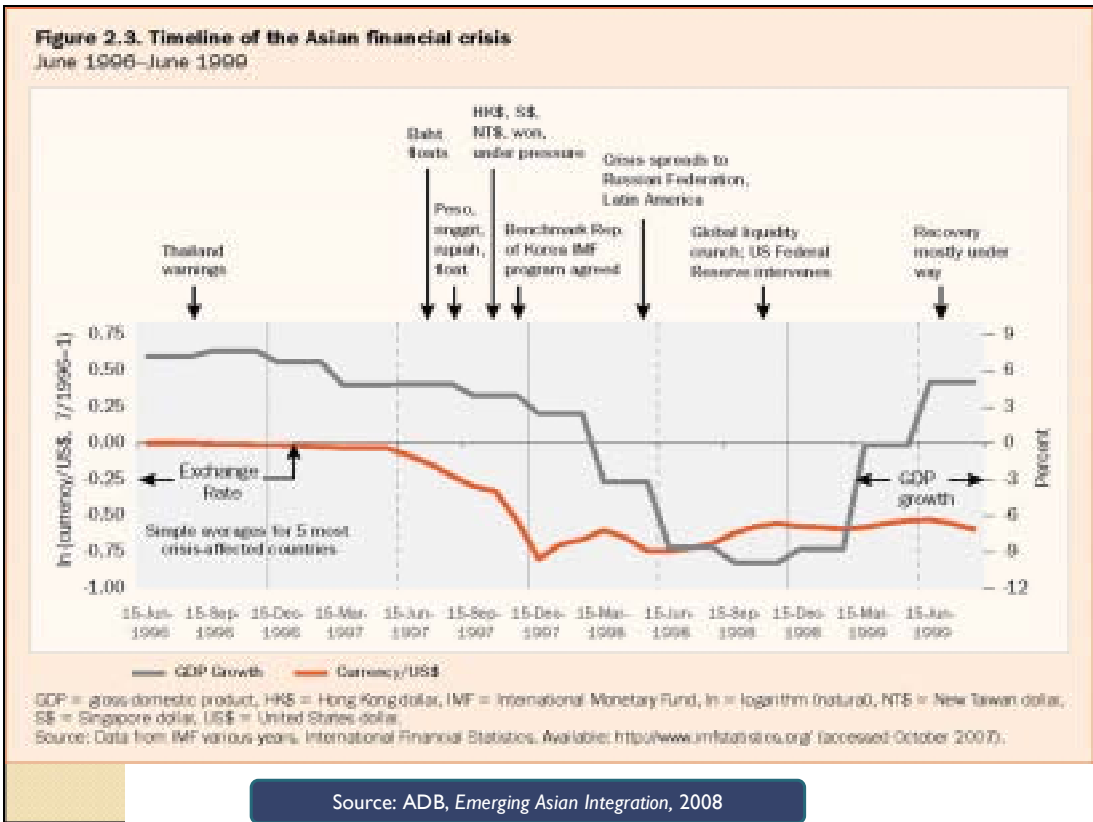
2. Asia: 1997 Financial Crisis and Robust Recovery

- The East Asian Miracle
- 1997 Financial Crisis
- Reforms
- Robust Recovery

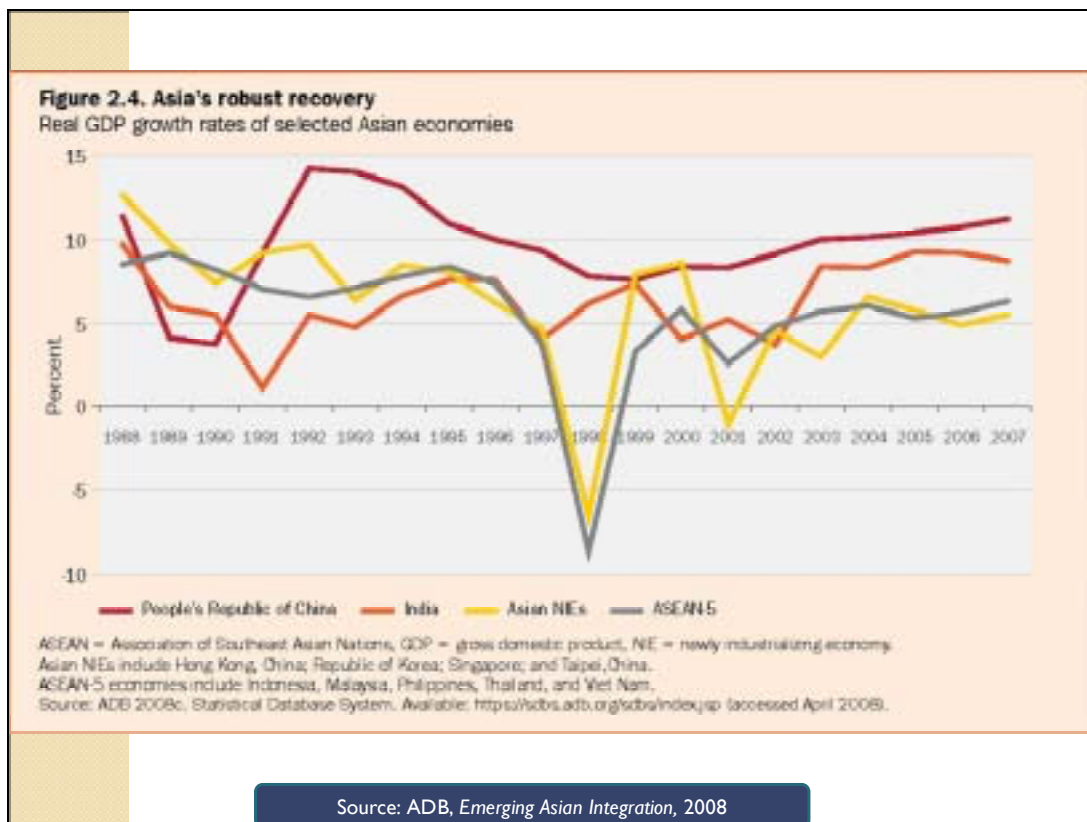
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Asia: *Lessons Learned from the Crisis*

- Reforms
- Regional Cooperation and Integration
- In this process, competitive sectors and enterprises have been expanded in Asia

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Asia: Reforms

- **Sound Macroeconomic management**
- Sound fiscal policy
- Limit public debt
- Limit current account deficit
- **Other measures to prevent or reduce the risk of crises**

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Table 4.3.1. Policy recommendations derived from the Asian financial crisis

National measures	Regional measures	Global measures
Preventing or reducing the risk of crises		
Adapt sound macroeconomic management		
<ul style="list-style-type: none"> • Pursue institutional monetary policy • <u>Use capital controls</u> • <u>Maintain data transparency</u> 	<ul style="list-style-type: none"> • Strengthen regional policy dialogue • Monitor early warning signals 	<ul style="list-style-type: none"> • Strengthen IMF surveillance and policy advice • Strengthen private sector monitoring (IMF approved)
Adopt sustainable exchange rate regimes		
<ul style="list-style-type: none"> • Adopt stable exchange rate regime • Enhance consistency between exchange rate regime and macroeconomic policy 	<ul style="list-style-type: none"> • Strengthen regional exchange rate cooperation 	
Manage risk in the external balance sheet		
<ul style="list-style-type: none"> • Maintain adequate foreign exchange reserves • Monitor short-term capital flows • Strengthen capital account convertibility 	<ul style="list-style-type: none"> • Monitor short-term capital flows and ensure regulatory factors that limit short-term external lending 	<ul style="list-style-type: none"> • Monitor short-term capital flows and ensure regulatory factors that limit short-term external lending
Manage risk in the financial and corporate sectors		
<ul style="list-style-type: none"> • Strengthen financial regulation and supervision • Improve disclosure and information transparency • Strengthen governance in financial and corporate sectors • Develop capital markets 	<ul style="list-style-type: none"> • Help develop regional capital markets • Support international standards and codes in regulation and supervision • Support local private governance 	<ul style="list-style-type: none"> • Strengthen financial sector to mitigate heightened international standards and codes • Support local private governance
Managing crises effectively		
Maintain liquidity and adequate external liquidity		
<ul style="list-style-type: none"> • Adopt macroprudential policy packages • Maintain social safety 	<ul style="list-style-type: none"> • Establish regional liquidity support 	<ul style="list-style-type: none"> • Expand and accelerate IMF liquidity support
Take macroeconomic and structural policies in crisis situations		
<ul style="list-style-type: none"> • Take monetary and fiscal policies in specificity of the crisis and the economy 	<ul style="list-style-type: none"> • Strengthen regional capacity to address adjustment 	<ul style="list-style-type: none"> • Strengthen IMF conditionality on macroeconomic and structural reforms
Use private international resources		
<ul style="list-style-type: none"> • Improve official standstill • If necessary, require private sector involvement 	<ul style="list-style-type: none"> • Establish international standstill to private sector involvement 	<ul style="list-style-type: none"> • Establish international rules for private sector involvement
Reducing the systemic consequences of crises		
Provide regional bank assets and corporate liabilities		
<ul style="list-style-type: none"> • Establish procedures for bank assets and liquidation • Establish procedures for corporate liabilities • Reduce insolvency classes in debt cases 	<ul style="list-style-type: none"> • Help finance bank and corporate restructuring 	<ul style="list-style-type: none"> • Establish international procedures for the resolution of cross-governmental debt (with World Bank and corporate restructuring)
Support vulnerable groups through social sector policies		
<ul style="list-style-type: none"> • Strengthen safety nets and support fund for population 	<ul style="list-style-type: none"> • Provide support to finance social sector programs 	<ul style="list-style-type: none"> • Provide support to finance social sector programs

IMF = International Monetary Fund
Source: Dooley and Patten, 2009.

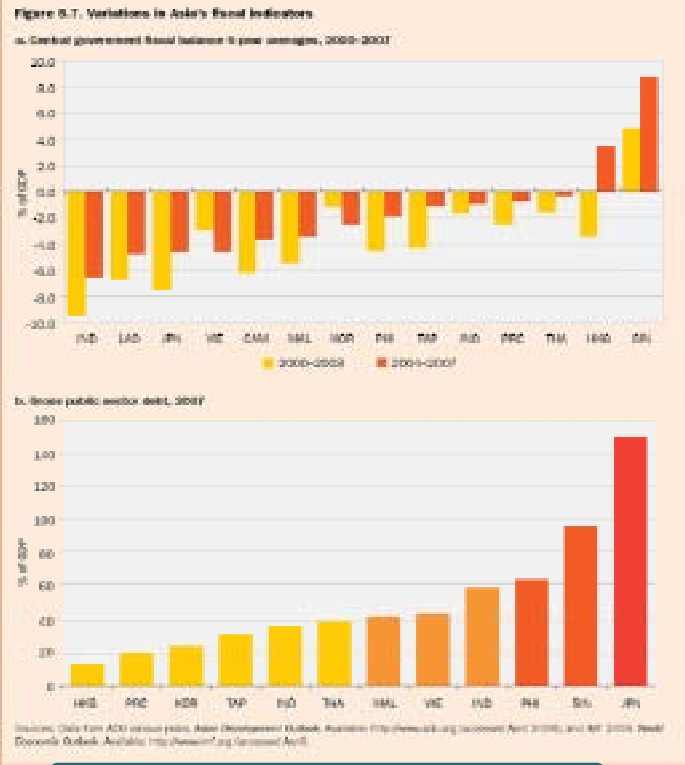
Source: ADB, *Emerging Asian Integration*, 2008

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Asia: Macro-economic Soundness Attained by post-crisis reforms

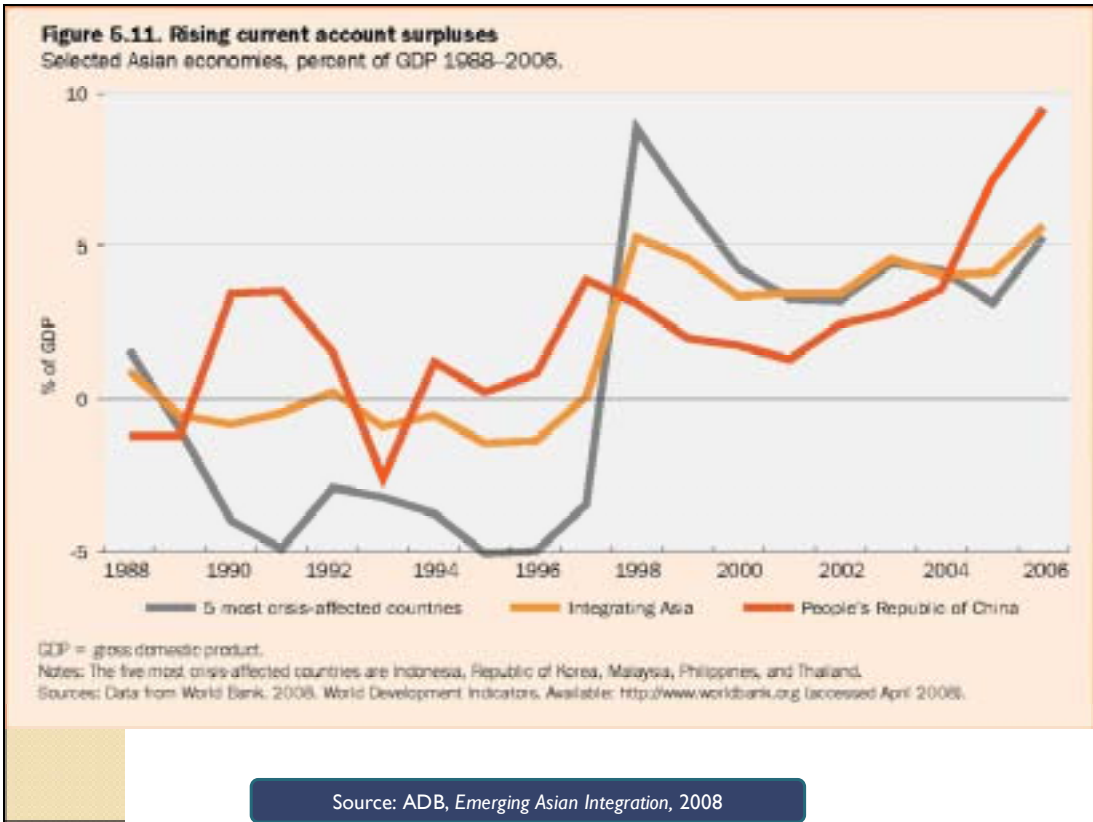
- Low inflation rate
- Lower fiscal deficit
- Low public debt
- Current account surplus
- Increase of foreign exchange reserves
- Lower non performing loans (Improvement of bank efficiency)

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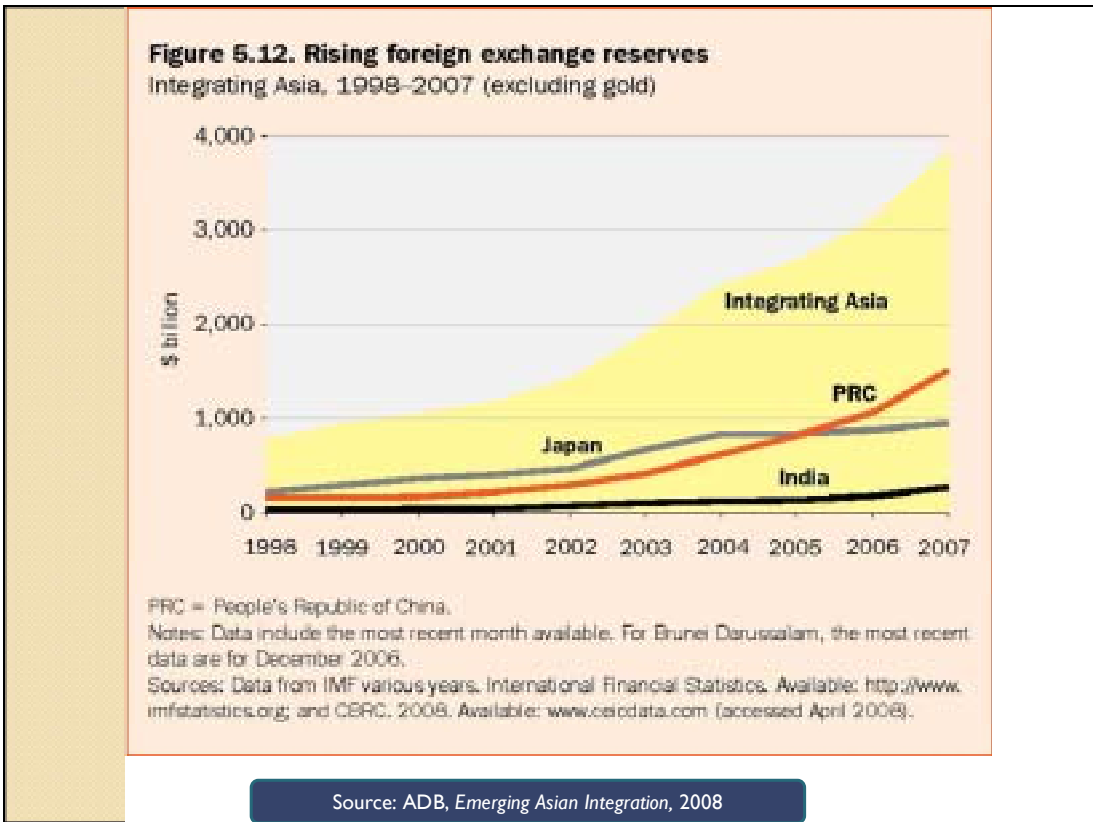


Source: ADB, *Emerging Asian Integration*, 2008

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Asia: Regional Cooperation and Integration as Another Measure to Reduce Vulnerability to External Shock and Enhance Competitiveness

- Trade policy coordination
- Macroeconomic links
- Intraregional trade
- Intraregional foreign direct investment
- Equity market
- Tourism
- ***In this process***
- FTA and regional integration
- Regional cooperation (such as Chang Mai Initiative)
- Physical integration by regional or sub-regional infrastructure

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Figure 2.7. Advancing integration: regional indicators, pre- and post-1990



Notes:

Data are calculated for the 10 integrating Asian economies, except as indicated.

Trade policy cooperation: (range of 1 for trade agreements among integrating Asian economies; range of 0 for trade relations that are under a trade trade agreement; with weighting of 1.5 for bilateral agreements, 1.0 for agreements under negotiation, 0.25 for agreements under dispute; sources: UNCTAD (1991) and various sources, 1980–2003).

Foreign direct investment: (ratio of FDI stock to GDP) (range of 0 for low FDI stock; range of 1 for high FDI stock); sources: UNCTAD (1991) and various sources, 1980–2003).

Equity markets: (ratio of total market capitalization to GDP) (range of 0 for low market capitalization; range of 1 for high market capitalization); sources: UNCTAD (1991) and various sources, 1980–2003).

Macroeconomic links: (ratio of total trade to GDP) (range of 0 for low trade; range of 1 for high trade); sources: UNCTAD (1991) and various sources, 1980–2003).

Intraregional trade: (ratio of trade to GDP) (range of 0 for low trade; range of 1 for high trade); sources: UNCTAD (1991) and various sources, 1980–2003).

Tourism: (ratio of tourism to GDP) (range of 0 for low tourism; range of 1 for high tourism); sources: UNCTAD (1991) and various sources, 1980–2003).

Reference: UNCTAD (1991) and various sources, 1980–2003.

Trade policy cooperation: Asian Regional Integration: Center for Economic and Business Research, <http://www.cebr.org> (2008).

Foreign direct investment: UNCTAD (1991) and various sources, 1980–2003. Available at <http://www.unctad.org> (2008).

Equity markets: Asian Development Bank, data elaborations from Economic data.

Macroeconomic links: UNCTAD (1991) and various sources, 1980–2003. Available at <http://www.unctad.org> (2008).

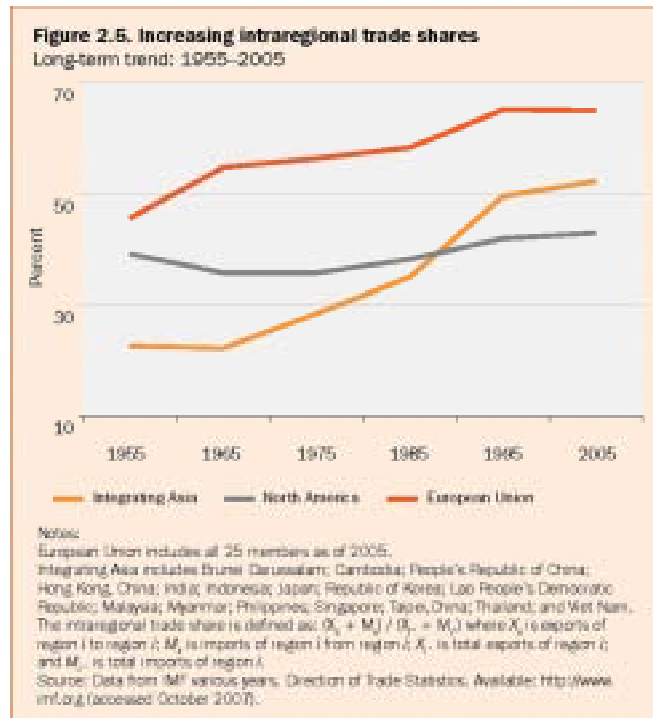
Intraregional trade: UNCTAD (1991) and various sources, 1980–2003. Available at <http://www.unctad.org> (2008).

Tourism: UNCTAD (1991) and various sources, 1980–2003. Available at <http://www.unctad.org> (2008).

Source: ADB, *Emerging Asian Integration*, 2008.

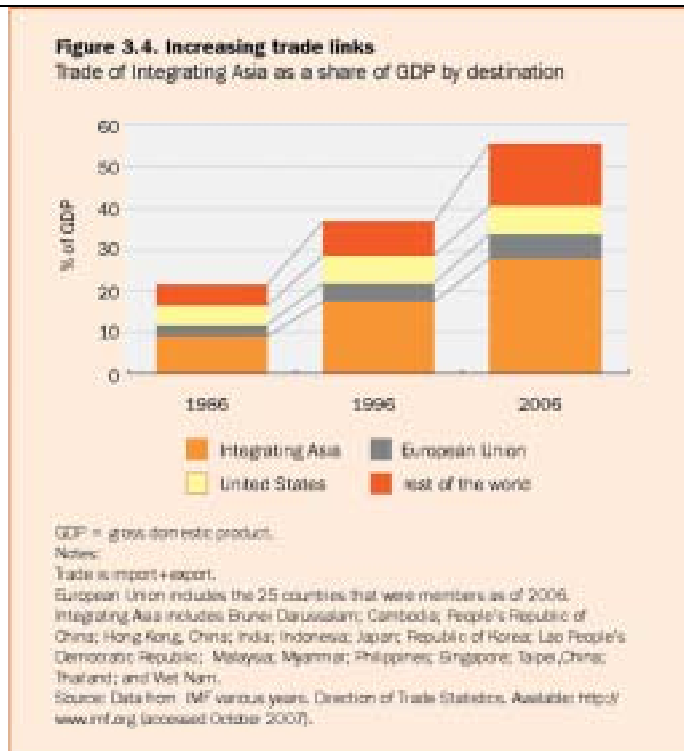
Source: ADB, *Emerging Asian Integration*, 2008

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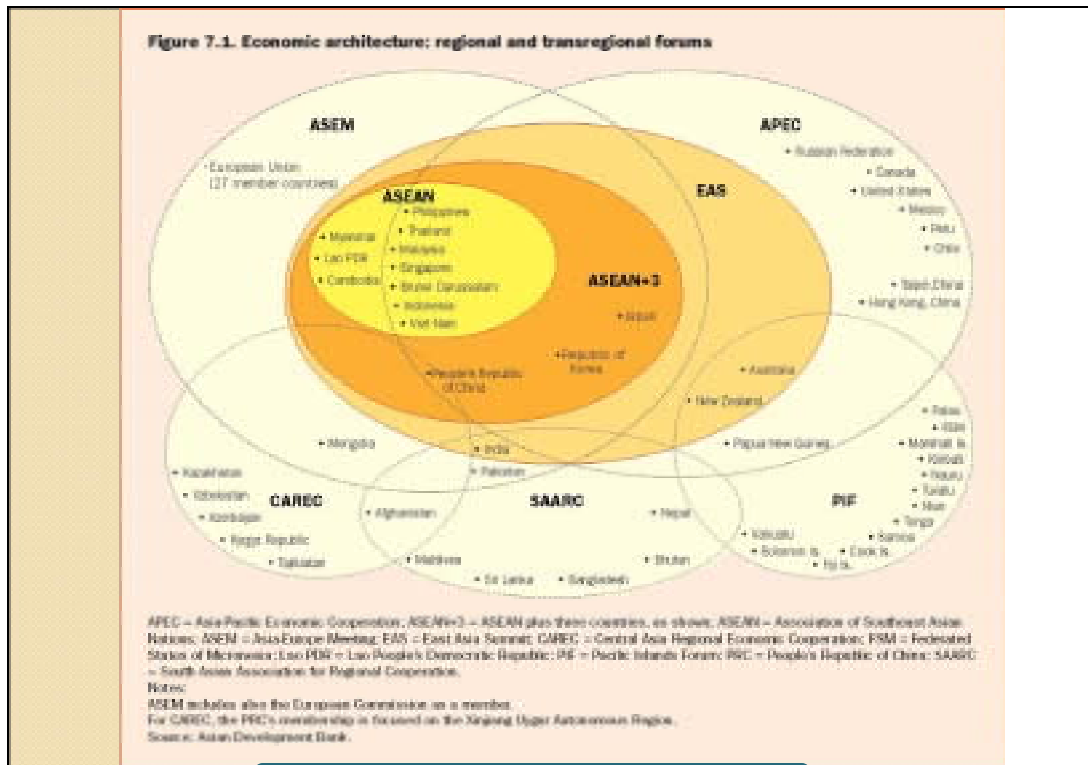
Source: ADB, *Emerging Asian Integration*, 2008

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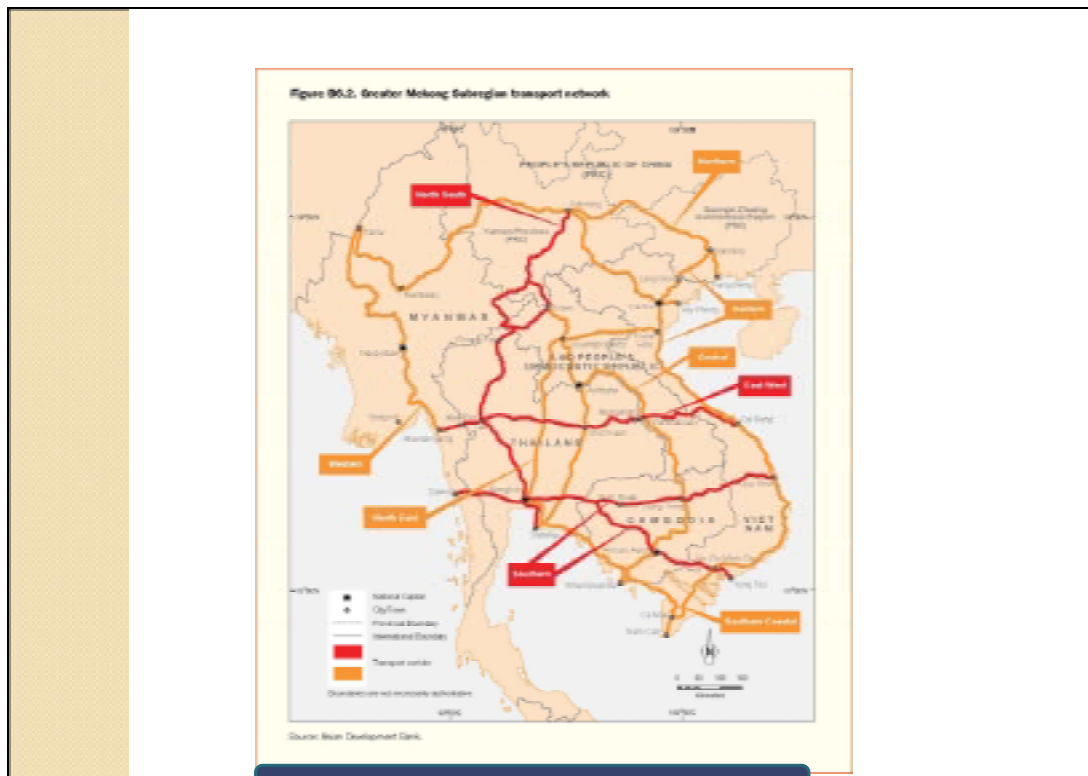
Source: ADB, *Emerging Asian Integration*, 2008

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Source: ADB, *Emerging Asian Integration*, 2008

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Source: ADB, *Emerging Asian Integration*, 2008

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Table 5.5. Swap arrangements under the Chiang Mai Initiative
\$ billions as of January 2008

From	To	PRC	Japan	Rep. of Korea	Indonesia	Malaysia	Philippines	Singapore	Thailand	Total
PRC			3.0	4.0	4.0	1.5	2.0		2.0	16.5
Japan		3.0		13.0	6.0	1.0	6.0	3.0	6.0	38.0
Korea, Rep. of		4.0	8.0		2.0	1.5	2.0		1.0	18.0
Indonesia				2.0					18.5	2.0
Malaysia				1.5						1.5
Philippines			0.5	1.5						2.0
Singapore			1.0							1.0
Thailand			3.0	1.0						4.0
Subtotal		7.0	15.5	23.0	12.0	4.0	10.0	3.0	9.0	84.0
ASEAN Swap Arrangements										2.0
Total		7.0	15.5	23.0	12.0	4.0	10.0	3.0	9.0	86.0

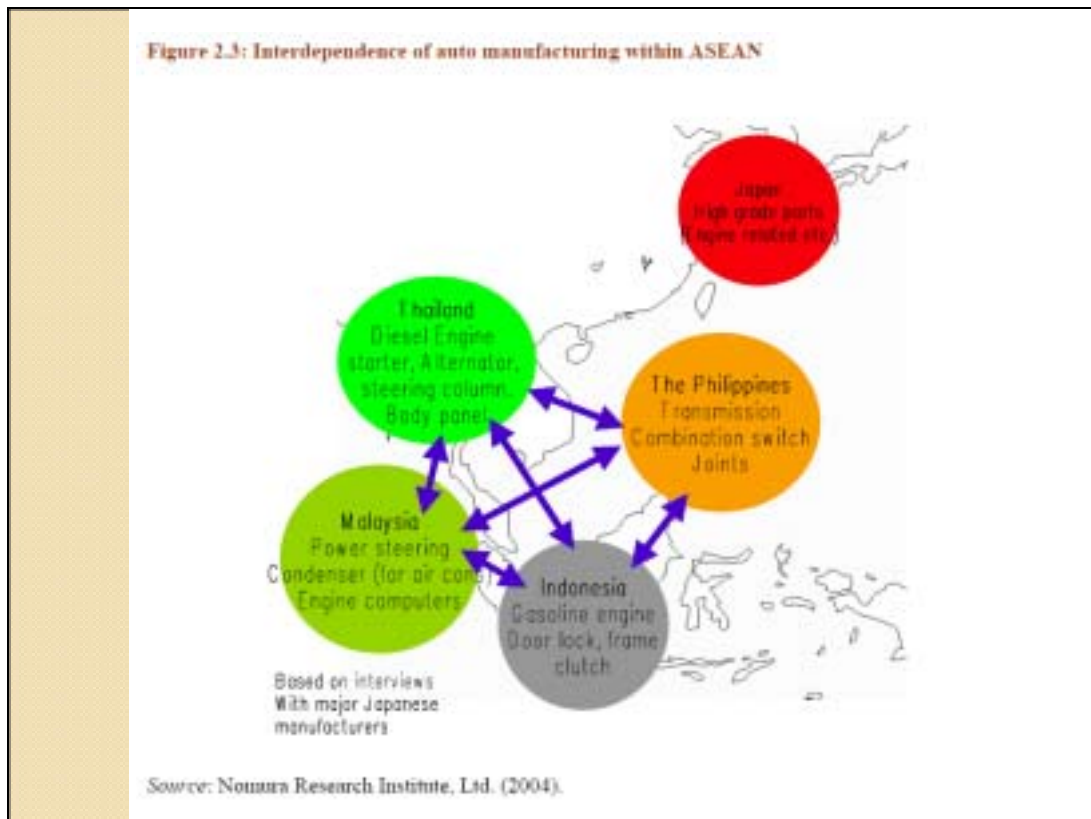
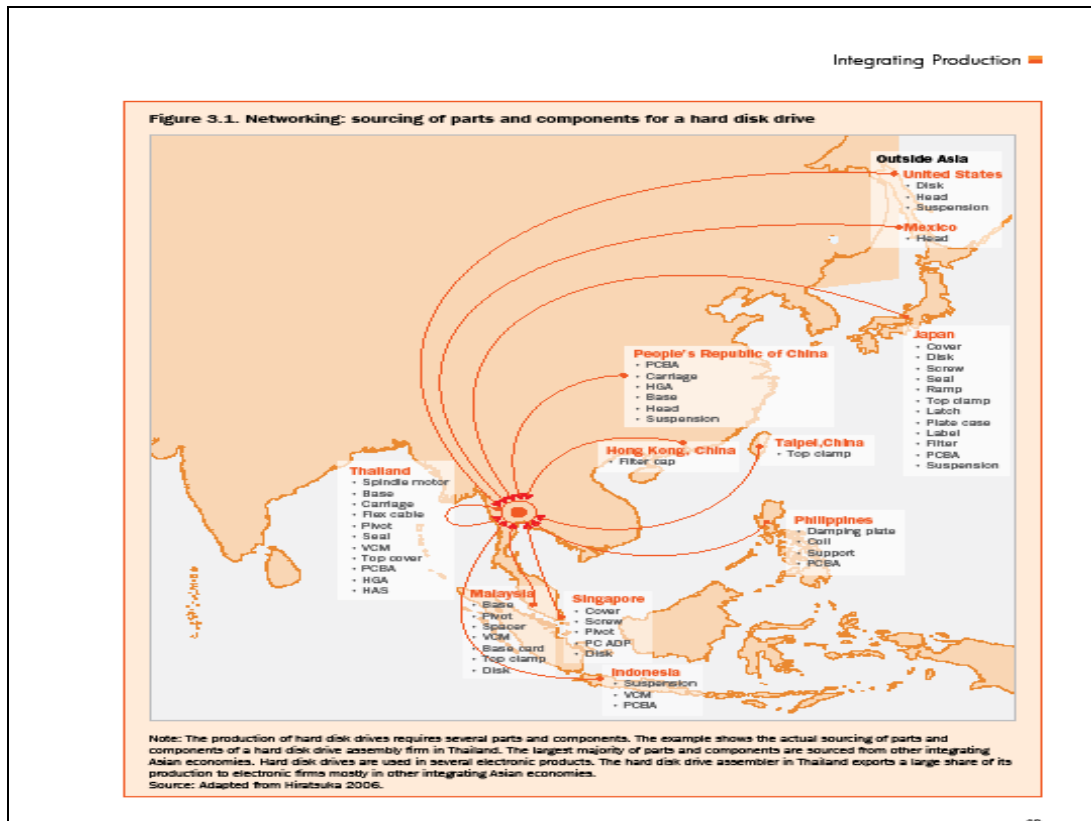
ASEAN = Association of Southeast Asian Nations; PRC = People's Republic of China.
Source: Asian Development Bank staff elaborations based on data from Japan's Ministry of Finance website. Available: <http://www.mof.go.jp/english/index.htm> (accessed May 2008).

Source: ADB, *Emerging Asian Integration*, 2008

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Expansion of competitive sectors and enterprises after crisis both in Asia and Latin America

- Economic Reforms made private enterprises more competitive in both regions
- In Asia, in addition, market-led regional and/or sub-regional integration made private enterprises more competitive. (Strengthened “Flying Geese”)



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186 WORLD DEVELOPMENT REPORT 2009

Map 10.2 Asia integrated trade at the end of the twentieth century

Source: UN and Asian Development Bank.

markets are developing where people are concentrated. Urbanization is large and rapid in most countries, perhaps adding 70 million city dwellers every year for the next two decades. Most of these people will move to small and medium size cities of less than 1 million people, not to major metropolitan areas. Managing these small cities efficiently and integrating them into the national economies will be a crucial task for reducing distress and sustaining growth.

Meanwhile, East Asia still faces strategic questions about how to bring some divisions between countries in the region. ASEAN's two-speed process shows how hard it is to cooperate with different incomes and economic structures to integrate deeply. No formal process of economic integration brings together all the economies of the region. A first attempt to start a regional dialogue was at the East Asia Summit in Kuala Lumpur, Malaysia, in December 2005. The summit called for financial stability, energy security, poverty eradication, and narrowing gaps between countries. It underscored the challenges that still divide the region: trans-border migration, environmental spillovers, diversity of governance standards, and cultural understandings. Other interesting experiments to foster regional integration are smaller ones, such as within ASEAN+1, but the institutional leadership to forge a common future is fragmented. Even so, leading scholars have noted that "the emergence of an integrated East Asia is inevitable and necessary." The challenge is figuring out how to make this happen quickly.

Contributed by Hideo Kurosaki.

significant as an economic force in the region? One answer perhaps lies in the development of world-class cities. The major metropolitan areas of Southeast Asia need to develop themselves into "sticky places," attracting and retaining global talent. Meanwhile, the integration of Australia and India into the region might alter the dynamics of place, offsetting to some degree the northward shift of Asia's economic center of gravity.

The problems encountered by countries distant from the major markets of the region are related to lagging areas within countries. Significant poverty remains in East Asia, with high poverty rates in areas like western China, southern and eastern Philippines, Thailand's northeast, and Vietnam's central highlands. The gap between per capita incomes in the richest and poorest provinces of China—nearly double under the imperial dynasty of the past—is needed to 13:1 (compared with 3:1 in the United States). Although many have moved closer to prosperous areas, assuaging the geographic distances that isolate these populations is still seen as a major challenge.

Within East Asian countries, people are moving to the markets, and

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4. Implications for Africa

- *Africa compared with Asia and Latin America*
- Recent growth rate: Africa's growth rate is higher than Latin America's growth and lower than Asia's growth during 2003-07

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Causes of African Growth

- The good news: many of the factors that have contributed to growth collapses in Africa have improved (Page, John, “Hunting for Leopards: Perspectives on Africa’s Recent Growth” 2008)
 - – Better economic management (lower inflation, etc.; however economic fundamentals remain weak)
 - – More competitive exchange rate
 - – Better institutions
 - – Better governance
 - – Fewer conflicts

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Africa still remains vulnerable

- In spite of high growth rate in last five years: The region remains **vulnerable to outside shocks and changes in commodity prices** (Page, John, “Hunting for Leopards: Perspectives on Africa’s Recent Growth” 2008)

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Then, How to Reduce Vulnerability to External Shocks

In order to reduce vulnerability to external shocks:
Lessons from Asia and Latin America suggest the importance of:

- Sound macro-economic management (Common factors of growth in Asia and Latin America in post crises period; certain progress in Africa)
- Regional integration and cooperation (Specially relevant in Asia; some progress in Latin America)
- Promotion of competitive sectors and enterprises (Specially relevant in Asian experience; some progress in Latin America)

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Asia has been successful in regional integration and cooperation: Implications for Africa

- World Development Report 2009 mentions regarding Africa: “.....transport links can help domestic markets grow. And regional and global integration can promote trade. Regional integration, labor mobility, investments in trade, communication and transport infrastructure, peace and stability should remain high on the agenda. They can create good neighborhoods, and better neighborhoods will facilitate investment, trade, and factor mobility in a cycle of prosperity” (p.285)

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Yokohama Action Plan (TICAD IV Process) is important not only to attain self-sustainable economic growth but also to cope with crisis

- TICAD IV process will promote a “Vibrant Africa” and its accelerated economic growth and diversification through support of infrastructure development, trade, investment and tourism, and agriculture. (Yokohama Action Plan, p.1)

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Infrastructure in Yokohama A.P.

- Regional transport infrastructure
- Regional power infrastructure
- Water-related infrastructure
- Enhanced involvement of regional institutions
- Promotion of public private partnership in infrastructure

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Trade, investment and tourism in Yokohama A.P.

- Promote and expand trade
- Encourage foreign investment
- Assist private sector development
- Promote tourism

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Agriculture and rural development in Yokohama A.P.

- Enhance capacity to increase food production and agricultural productivity
- Improve access to markets and agricultural competitiveness
- Support sustainable management of water resources and land use

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Thank you very much

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- Fernandez-Arias, Eduardo, Rodolfo Manuelli and Juan S. Blyde (ed.) , *Sources of Growth in Latin America: What is Missing?*, IDB 2005

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**PRESENTATION BY H.E. MR. E.E.E. MTANGO,
AMBASSADOR OF TANZANIA AND DEAN OF THE
AFRICAN DIPLOMATIC CORPS IN JAPAN AT
GRIPS-ODI-JICA JOINT SEMINAR: AFRICAN
GROWTH IN THE CHANGING GLOBAL ECONOMY**

**Topic: African Growth, Financial Crisis
and Implications for TICAD IV**

Slide 2

OUTLINE

1. Anatomy of African Growth, pre-crisis period
2. Global Financial Crisis and its effects on:
 - African Economy and Trade
 - Foreign Direct Investments
 - Capital and Equity Markets
 - Banking System
 - ODA
 - Tourism Industry
 - Remittances from Africans in Diaspora
 - Foreign Reserves
 - Achievement of MDGs
3. Implications on TICAD IV
4. What to do.

Slide 3

AFRICAN GROWTH (Pre-Financial Crisis Period)

- Africa has enjoyed 10 years of sustained growth averaging 5% GDP growth per annum.
- Early 2008 average GDP forecast at 6.5% p.a.
- Growth due to strong demand for Africa's exports, high commodity prices, widened markets into Asia (China, India, South Korea), diversified sources of finance (investments from China, India, Middle East), and remittances from Africans in diaspora.
- Many African countries spent decades gearing economic growth to attract more private capital to dispel the reputation of unreliable investment destination.

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GLOBAL FINANCIAL CRISIS

2.1. General Observations

- The financial crisis came as African economies were turning the corner.
- Effect of global financial crisis is already being felt;
e.g. – Tanzania downgraded growth forecast to 7.5% down from 7.8%. AfDB forecast average growth of 5% down from 6.5%.
- However, the effect is to the Economies of African countries, in general. African Banks are not suffering from credit crisis as such since they are less exposed to the global credit system.

Slide 5

GLOBAL FINANCIAL CRISIS

2.2. Effect on African Economy and Trade:

If factories and supermarkets close in U.S.A., Europe, etc., this will lead to less demand for goods from Africa and consequently,

- Commodity prices fall, exports decline and many exporters lose markets (e.g. markets for garments for South Africa, Mauritius, Kenya, Swaziland, etc.)
- Foreign currency income slump due to reduced demand and low prices.
- Factories may close down, jobs lost resulting to unemployment increase.
- The health of banking sectors will be affected and defaulters build up.
- Economic slow down inevitable consequence.
- Balance of payments will be negatively affected.
- Importers would rush to hoard foreign currency leading to free fall of local currency.

Slide 6

GLOBAL FINANCIAL CRISIS

2.3. Effect on Foreign Direct Investments

- Fall of inward investments affecting important sectors such as agriculture, infrastructure development, health and education.
- Banks including World Bank (especially the commercial arm of IFC) will fail to raise capital from the Stock Exchange or from other banks to invest in Africa,
- Reduced or reversed portfolio inflows as investors flee to safer assets; Investors will sell securities causing local currencies to depreciate,

Slide 7

GLOBAL FINANCIAL CRISIS

2.3. Effect on Foreign Direct Investments

- Roads, energy and utility projects which need foreign capital will be affected,
- Money will be moved out of new projects to shore up balance sheets,
- Trade finance that is essential to export reliant countries may dry up,
- Planned issue of infrastructure bonds by African countries (e.g. Kenya, Tanzania) in international markets will have to be delayed as risk has become very high.

Slide 8

GLOBAL FINANCIAL CRISIS

2.4. Effect on Capital Markets/Equity Markets

- Countries with liberalized capital accounts (Nigeria, S. Africa and Kenya) will be the first to suffer due to the tendency for investors to withdraw to safer markets.
- Lower portfolio inflows and lower FDI inflows,
- Reverse portfolio inflows as investors flee to safer markets,
- Equity markets may fall sharply,
- Investors may sell securities and depreciate local currencies (already happening in Uganda, Zambia).

Slide 9

GLOBAL FINANCIAL CRISIS

2.5. Effect on Banking System

- Decline of quality of Banks' credit portfolios
- Losses in other financial assets (e.g. those deposited with foreign correspondent banks),
- Capital repatriation by private banks (which are usually foreign-owned).

Slide 10

GLOBAL FINANCIAL CRISIS

2.6. Effects on ODA

- Due to recession, rich countries may be tempted to cut down on ODA,
- Concessional loans may be reduced,
- Transaction costs are likely to rise,
- Roads, energy and utility projects will be affected,
- Countries usually receiving larger share of ODA (Uganda, Ghana, Tanzania) likely to suffer.

Slide 11

GLOBAL FINANCIAL CRISIS

2.7. Effects on Tourism Industry

- African tourism industry depends mainly on arrivals from overseas, As people's savings decline, there is little money to spend on luxury; some want to stay put to see how the credit crisis will go,
- Tourism industry, transport companies, tour operators, hoteliers will feel the pinch (in Tanzania, reservations from U.S.A., Europe cancelled. Some hotels suffered 60% of cancellations in October 2008!)

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GLOBAL FINANCIAL CRISIS

2.8. Effect on remittances from Africans in diaspora:

- Due to economic recession in USA, Europe, Japan, remittances from diaspora will decline.

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GLOBAL FINANCIAL CRISIS

2.9. Effect on Foreign Reserves

- Countries' foreign reserves usually invested abroad will most likely be affected.
- Banks with high foreign currency exposure will be affected.

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GLOBAL FINANCIAL CRISIS

2.10. Effect on Achievement of Millennium Development Goals (MDGs)

- Slow down of economic growth, foreign currency income slump, unemployment increase, reduced ODA, depreciation of local currency, etc. will result in a setback in achieving the MDGs.

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IMPLICATIONS IN TICAD IV

3.1. TICAD IV is considered a great success because of:

- Enhanced focus on economic growth,
- Focus on infrastructure and agricultural development,
- Support, encouragement or incentivization for Japanese private sector to look more seriously at trade and investment opportunities in Africa
- Funding support mechanisms which GOJ promised to put in place (for infrastructure development and private sector support,
- Insurance cover against political risk to be extended by NEXI,
- Doubling of ODA in 5 years,
- Various interventions in Health, Education and support to achieve MDGs.

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IMPLICATIONS IN TICAD IV

3.2. The Global Financial Crisis endangers the implementation of all above commitments.

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WHAT TO DO.

- Donor countries should honour their commitments on ODA to Africa.
- International Financial Institutions (IMF, WB, AfDB, etc.) should adopt remedial measures to mitigate the risks to African countries.
- Central Banks should exercise prudential regulation and supervision and have early warning system.
- African Governments should exercise strict control of money laundering and insider trading.

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WHAT TO DO.

- Central Banks should regulate issue of foreign exchange to companies during this time of crisis.
- Non-bank financial sector such as Pension Funds should also be regulated.
- African countries should strengthen domestic and regional markets and boost intra-african trade.
- It is important to promote domestic tourism.
- There is a need for new stability of the global financial system in which the voice of every nation, every continent is heard and their concerns taken into account.

Slide 1



**Proposal for a New
African Growth Support Initiative**



Nov. 27, 2008
Izumi Ohno & Kenichi Ohno
GRIPS Development Forum:
Secretariat for Multi-stakeholder Discussion Group

Slide 2

TICAD IV and the Current Global Environment



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

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

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

Slide 3

Concretizing the TICAD IV Growth Agenda



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

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

Slide 4

Basic Principles



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

Slide 5

Incorporating East Asian Perspectives



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

→ Dynamic capacity development:

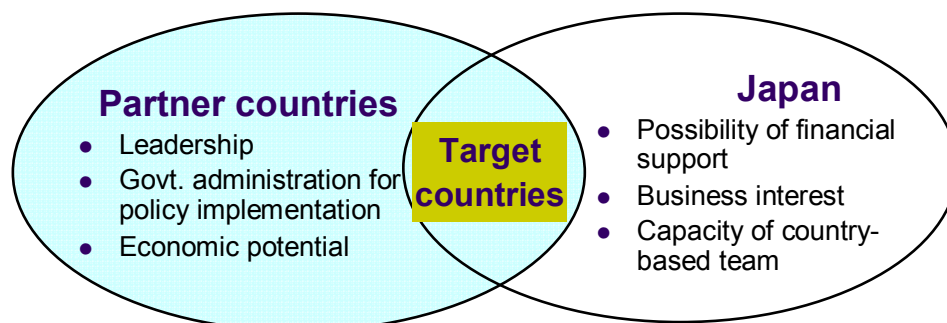
Improve ability through selective hands-on experience—clear goals, focused efforts, trials and errors, cumulative sense of achievement

Slide 6

Select Target Countries for “Success Stories”



<Selection Criteria>



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

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Four Entry Points for Japan's Engagement in Africa



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

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(1) Mobilize Aid to Realize the Existing National Vision



The case of Ethiopia

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

Slide 9

(2) Japan's Policy Dialogue with Developing Countries



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

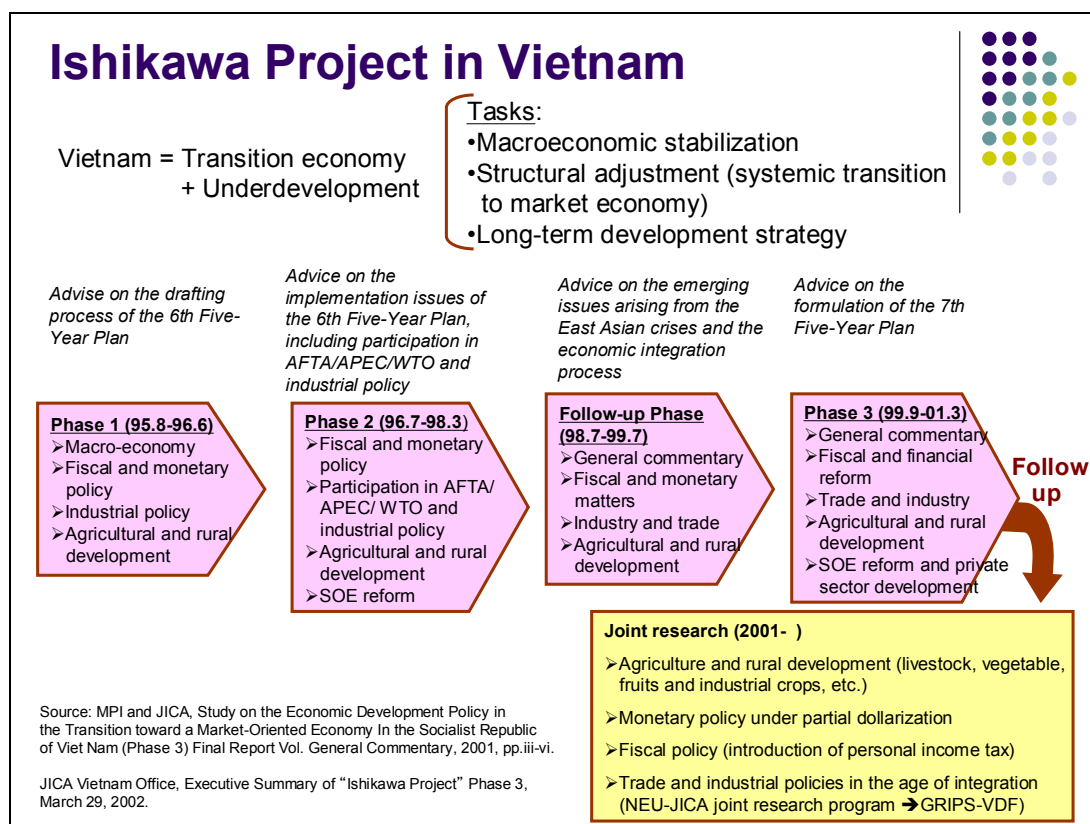
Slide 10

Ishikawa Project in Vietnam 1995-2001



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

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Continuous Policy Dialogue in the Partnership Context



The case of Zambia (South-South cooperation)

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

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(3) Japanese Assistance for Core Infrastructure



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

Slide 15

El Salvador: Growth Diagnostics vs. Japan's ODA



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

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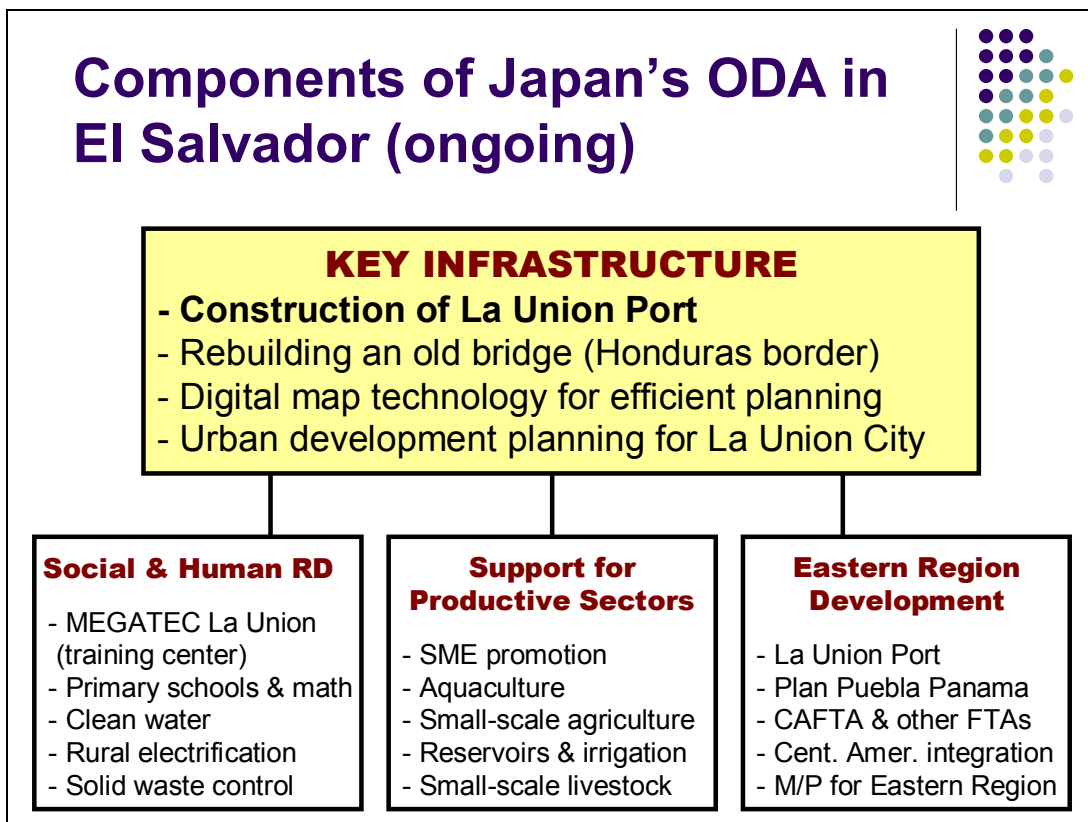
The Vision: Strengthening El Salvador's Position as a Regional Transport Hub



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



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Build Core Infrastructure and Align Development Programs

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

The Case of Mozambique (planned)

Regional development around Nacala port and corridor

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

Slide 19

(4) Mobilize Aid to Facilitate FDI Projects



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

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Requests for the Japanese Govt. and the New JICA



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

Thank You Very Much !



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

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

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

- Publication

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

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



Slide 1

Industrialisation in Africa and Donor's Functions as Facilitator

Matsuo WATANABE
Visiting Senior Advisor
Japan International Cooperation Agency

Slide 2

Contents

- Key principles of industrial strategy
- A JICA assistance in Zambia
- Donor's role in industrial policy

Slide 3

Industrial strategy: Keys

- More than labour intensive manufacturing – services and agriculture also considered
- Clear and objective criteria to discover the industries through trial-and-error process
- Maintain transparency in the process
- Establish a process of P-P dialogue
- Support with discipline (punishment and exit strategy) and apply competition
- Policy measures can be scaled-up as institutional capacity develops

Slide 4

What are missing for African industrial policy execution?

- Role model to emulate
- Policy space -- narrow vis-a-vis Asia in 1970-80s
- Diverse development strategies (local context)
- Institutional capacities to implement 'full-scale' industrial policy
- Significant public-private partnership

Slide 5

**A JICA assistance in investment promotion in Zambia
(as until July 2008)**

Objectives

- To transfer Asian experience to Africa
- To substantialise a country-led trade & investment promotion initiatives (and industrial development) through intensive face-to-face dialogues
- To materialise actual investments to Africa rather than just giving advises or recommendations
- To address "We know the problem and what to do, but not how to do"

Slide 6

Approach

- JICA-sponsored advisor—the former vice president of the Malaysian Industrial Development Authority
- Coordination and sharing of vision among three partners of development – political leaders, private sector and civil service
- Selected 12 priority sectors based on country's existing and latent potentials – even **the landlocked is conceived to be an advantage** (sub-regional air cargo hub)
- FDIs from Malaysia and India and joint ventures have already takes place: mobile-phone factory, telecom, ICT college and specialised hospital ...

Slide 7

Donor's function (1) Information management

1. Ex ante information of client country: **what are needed**
 - First hand country study (qualitative & quantitative)
 - inputs for designing plausible assistance strategy
2. Information of supply side: **who can supply what**
 - Comprehensive know-how (on different stages of development process)
 - Applicable to client country
3. Matching information: not just matching service
 - World-wide network
 - Lessons from past experience (successes & failures)

Slide 8

Donor's function (2) Consulting

'Consulting Aid', like Business consulting service

- insight: the way the client country realise FDI-led industrialisation and economic growth
- to construct tailor-made strategies and pursue for **tangible** results
- to encourage client to develop better insights and further actions by producing continual results

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Donor's function (3)
Catalyst and Back-ups

1. Catalyst to enhance the effect of project
 - financial support: infrastructure, industrial estate
 - technical support: operational know-how, business forum

2. Logistics and 'Authority'
 - JICA with diplomatic resources (with EoJ endorsement)
 - Contacts with investors
 - logistical support by JICA to reduce 'transaction cost' by giving authority and credibility
 - lobby for investment environment
 - Play-up at international arena

Slide 10

Not so sure about the donor's functions?

- 2nd generation PRSPs: **a wish list with no priority, budgetary corroboration**, consistency between the purposes and means.
- Gaps between:
 - (a) the proponents and opponents of the Washington Consensus policies in the failures of market and government
 - (b) Asia and Africa in industrialisation performance
 - (c) intention and implementation in industrial policy in many African countries
 - (d) in donor practices bet/ **'telling what to do'** and **'working with clients to show how to do'** .
- Mere removal of market distortions do **not** bring substantial, tangible industrial development by its own
- Why did past industrial policy initiatives in developing countries fail, **if the donor functions would have not needed?**

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Note: 12 selected areas	
1. agriculture	<u>Points</u> <ul style="list-style-type: none">• Landlocked → No labour intensive manufacturing• Quick result → smaller-scale FDI• Knowledge-intensive, regional center of excellence → education (BA, Master) /medical (for tests/treatments, e.g. magnetic resonance imaging (MRI), angiograms, angioplasty)• Existing potential → geographical, spare capacity of Lusaka airport
2. cotton	
3. mineral extraction	
4. health and medical service	
5. ICT	
6. tourism	
7. education (higher & specialised)	
8. air and land transport hub	
9. economic zone	
10. SME	
11. streamlin administrative procedures	
12. finance	

Slide 12

Note: Initial Achievements	
1. Policies, laws, regulations, government services	<ul style="list-style-type: none">• 12 sector analyses and policy proposals have been duly filed by Zambian themselves, o/w 8 approved and implemented.• The progresses are monitored by the respective ministries and reported to the President every month.
2. Information for investors has been publicised	<ul style="list-style-type: none">• GoZ put out a project bulletin and profiles of Zambian companies and disseminated to investors.• With these, GoZ dispatched investment promotion missions to Malaysia (2006) and India (2007 & 2008)• Business forums for Asian investors in Zambia. These efforts materialized as the actual investment projects.
3. Public administration system is being consolidated.	<ul style="list-style-type: none">• GoZ is working to establish an E-governance system, a governmental Clients Charter and Integrated Approval Systems .

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**Note: Relevance of Asian Experience;
No magic formula, but...**

- 1. Commonality: top-down style political process and British public administration system.**
- 2. Effort to unite the people and national vision with a long-term planning. Vision 2020 Vision 2030**
- 3. Development path: formerly a resource depended economy to transform to leading exporters of electronics products by FDI-led industrialization**
- 4. Peer counseling: Sharing the colonial legacy and has achieved a remarkable success in a game where the rule was set by others.**
- 5. Well-versed in various operations: comprehensive and practical know-how relevant to the economies at the earlier stage of development today**

Slide 1

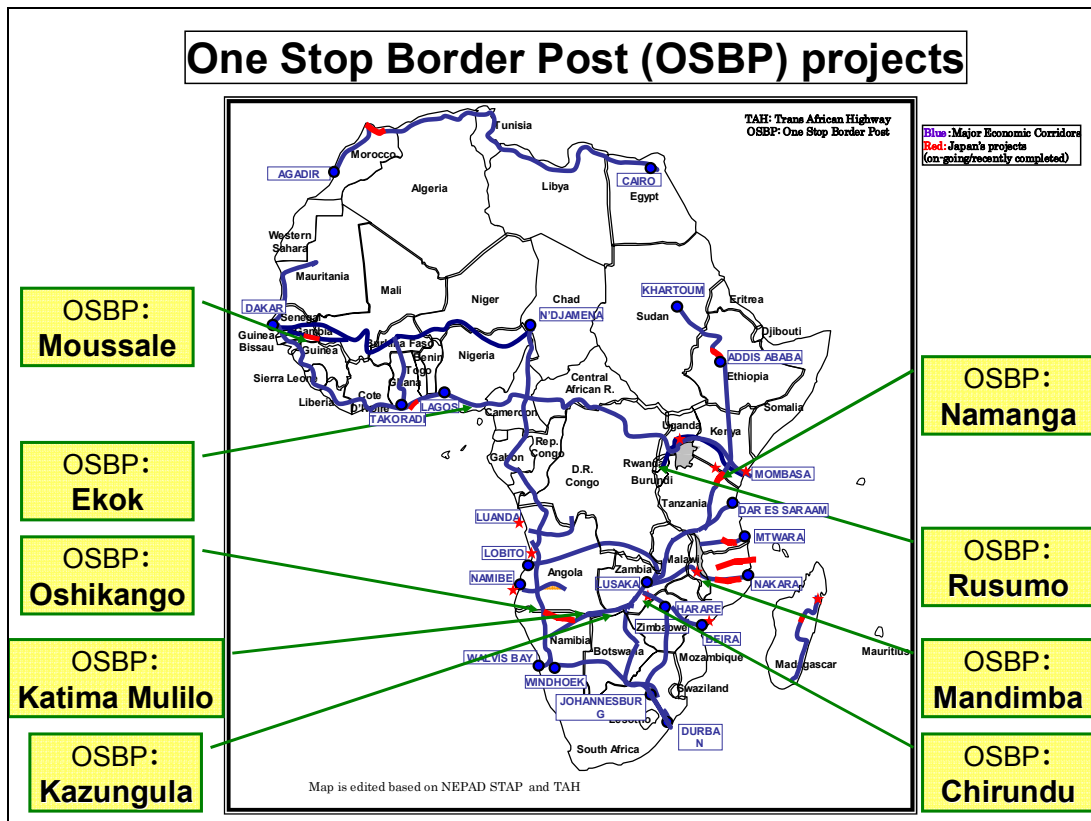
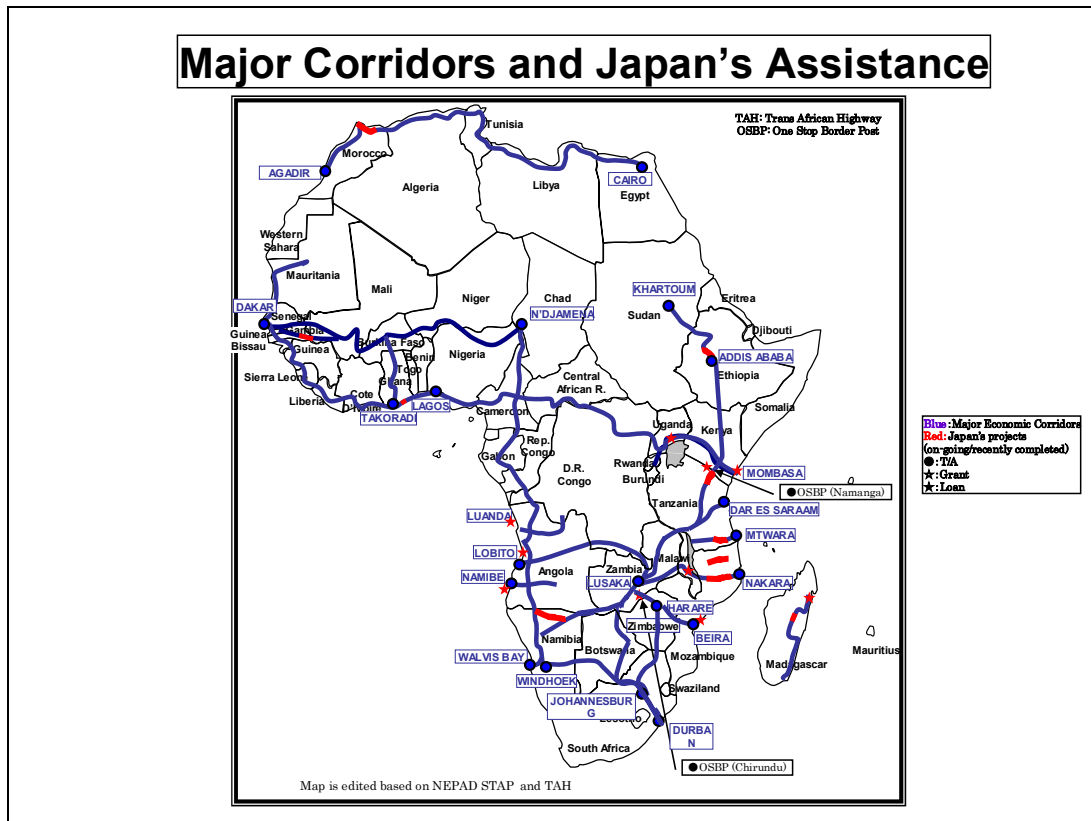


Slide 2



Strategies for Accelerating Economic Growth

- (1) Regional Infrastructure Development
(Roads, Ports, Electricity)
- (2) Strengthening Private–Public Partnership (PPP)
- (3) Partnership with IFIs
- (4) Focusing on Activities for Economic Growth



Slide 5

Japan's Assistance for Energy Sector in Africa

West-Central Africa

GHANA

- >Rural Electrification (V) (On-going)
- >Power Distribution System Master Plan Study (On-going)
- >Human Resources Development Project for Disseminating PV Systems (On-going)

CAPE VERDE

- >Power Supply, Transmission and Distribution Lines Project in Santiago Island (ACFA) (On-going) *L/A signed '08,Mar

SIERRA LEONE

- >Project for Urgent Improvement of Electric Power Supply System in Freetown (On-going)

NIGERIA

- >Project for the Rural Electrification in Cross River and Akwa Ibom States (I-III) (On-going)

Eastern Africa

UGANDA

- >Bujagali Interconnection Project(ACFA) (On-going) *L/A signed '07,Oct
- >Rural Electrification Project Phase II (On-going)
- >Hydro Power Electrification Advisor (On-going)

KENYA

- Sondu-Miriu Hydropower Project II (On-going) *L/A signed '07,Jan

TANZANIA

- >Project of Reinforcement of Transmission and distribution Facilitation in Oysterbay Station (On-going)
- >Technical Support Project for the Stable Power Supply System (On-going)

Southern Africa

Malawi

- >The Rural Electrification Promotion Project (MAREP Phase IV) (On-going)

ZAMBIA

- >Increasing Access to Electricity Services Project (Co-financing with WB) (On-going)
- >Rural Electrification Master Plan Study (REMP) (On-going)
- >Electrification Development Master Plan (On-going)

Legend: ■ Loans ■ Grant ■ T/A

*Only on-going/candidate projects are shown in this sheet

[Power Pool] The free trade of power within regions

There are 4 power pools in Sub-Sahara Africa, SAPP (South African Power Pool), EAPP (East African P P), WAPP (West African P P), CAPP (Central African P P). Exceptionally, in the case of significant power shortage within a pool, power has been traded among pools.

Slide 6

Case of PPP: Toamasina Port (Madagascar)

Toamasina Port Development Project

This port is covering 70%-80% of all cargos in Madagascar. The request of port development is expanding 3 piers, A, B and C.

JETRO:F/S implemented for 2.5 months from Dec. 2007.

↓

JICA: received request for Study of Development in 2008 and adopted.

↓

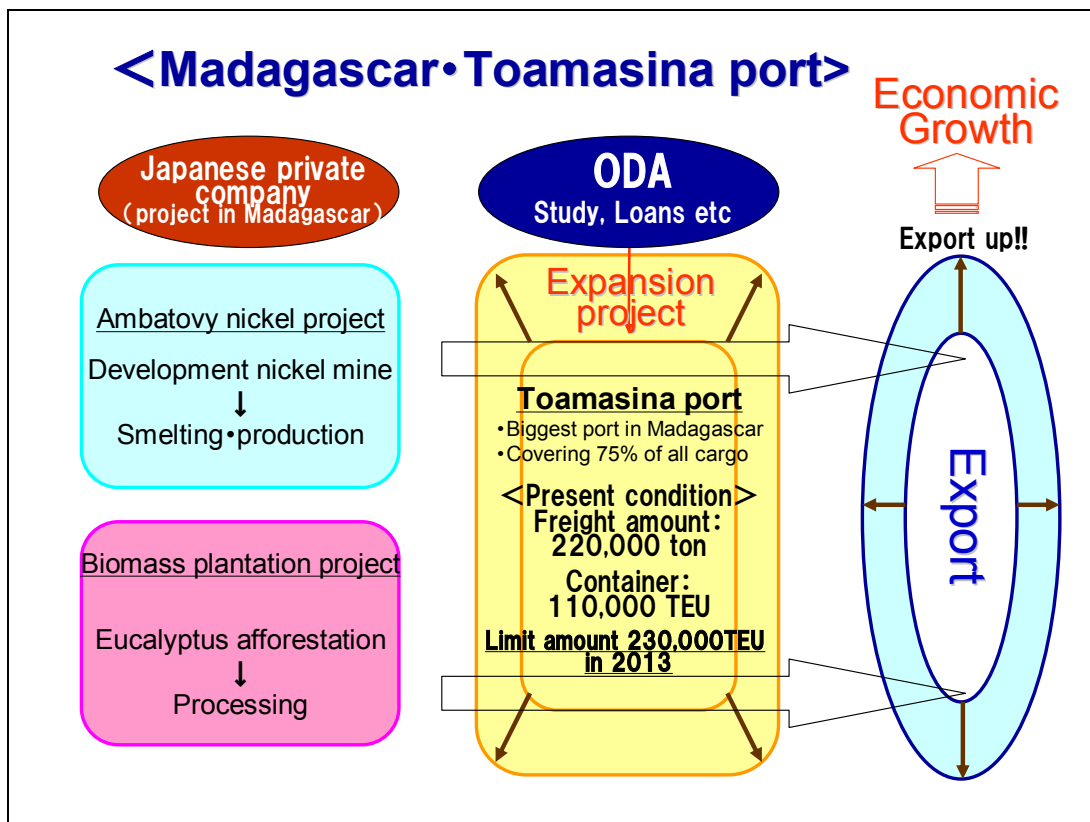
JICA: under consideration of ODA loans implementation after JETRO F/ S and JICA study.

Japanese private company: planning repair of only pier B for Nickel project.

Ambatovy Nickel project

biomass plantation project

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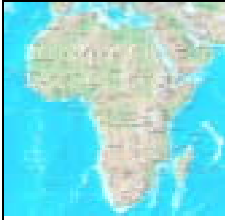


Slide 8

Activities for Promoting Economic Growth











- One Stop Border Post (OSBP) and Michino-Eki (Roadside Station)
- Coalition for African Rice Development (CARD): in 21 rice producing countries
- Investment Promotion: in Zambia and Tunisia
- One Village One Product: in Malawi and ten countries

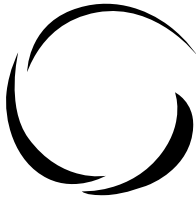
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Thank you

[政策議事録 バックナンバー]

- No.11 2002年IMF・世界銀行年次総会  発行:2002年12月
2002年IMF・世界銀行年次総会の評価と今後の課題(吉田正紀、三好敏之)
- No.12 世界銀行と日本  発行:2002年12月
世界銀行と日本の関係強化に向けて 現状報告および今後の方向性(吉村幸雄)
日本の開発問題への知的貢献について(日下部元雄)
- No.13 MDGs、PRSPとパートナーシップ  発行:2002年12月
日本はミレニアム開発目標(MDGs)に対して如何に取り組むべきか(戸田隆夫)
PRSP プロセスの改善に向けて 本フォーラムでの議論を総括する(緒方健太郎)
開発パートナーシップにおける日本のリーダーシップ
日本・UNICEF事業協力を例に考える(久木田純)
- No.14 途上国の債務問題  発行:2002年12月
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各ドナーのアプローチから考える(田中啓之、泉泰雄)
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