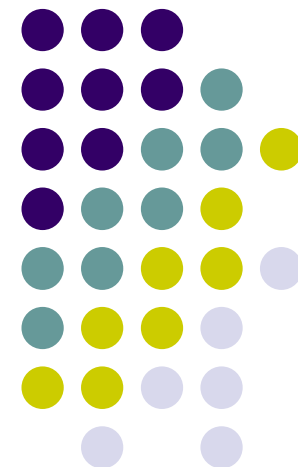


East Asian Perspectives of Development Partnerships and Growth Support

Izumi Ohno, April 13, 2010
GRIPS Development Forum
National Graduate Institute for Policy Studies

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





Main Points

- East Asian perspectives of development partnerships
- Missing elements of current aid effectiveness debates? (esp. policy ownership)
- Diversity and complementarity as the principle of development partnerships (eg. growth support)
- Ethiopia – a possibility of new partnership model in Africa?

East Asian Perspectives of Development Partnerships

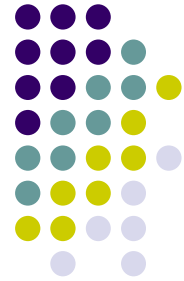


- Not only managing donors, but also managing policy ideas (“policy ownership”)
- Using aid for growth and “graduation”
 - Existence of “exit strategy” from aid
 - Absorption of foreign knowledge & technology → internalization → institutionalization → becoming donor agencies (e.g., South Korea, Malaysia, Thailand, China)
- Synergy effects among aid, trade, and investment

Izumi Ohno and Masumi Shimamura (2007). *Managing Aid and the Development Process*;
Izumi Ohno and Kenichi Ohno (2008). “Ownership of What?—Beyond National Poverty Strategies and Aid Harmonization In the Case of Vietnam” in *Aid Relationships in Asia*, edited by Alf M. Jerve et.al.

Policy Ownership

Missing Elements of Aid Effectiveness Debates?



- Prof. Gerald K. Helleiner (on Tanzania, 2002)
“... some donors seem to believe that ownership exists when recipients do what we want them to do but they do so voluntarily.”
- Joachim Chissano (Mozambique’s former President, 2007)
“...even today many Africans see the relationship with donors as still influenced by the colonial past, where donors “know” what, how much and when recipients need. Thus, in some cases, the priorities of donors and recipients do not match: an example of this is the construction of infrastructure in Africa, viewed by the Africans as a high priority for their sustainable development and systematically dismissed by donors.”

[Quoted from] ‘Why we should “rethink” aid. Conference on ‘New Directions in Development Assistance,’ University of Oxford, 10 June 2007.

Policy Ownership

Missing Elements of Aid Effectiveness Debates?



- Ownership of what?, by whom?
- Policy ownership
 - Managing policy ideas (= content), by making “informed choices” based on policy multiplicity
 - Improving policy capability through selective, hands-on experiences (trial & errors, and adjustments)
 - China: *Special Economic Zones* – creating good business conditions in limited areas to receive investment.

Diversity and Complementarity

Policy Ideas and Approaches



- *Is global convergence to a single idea or approach desirable?*
 - Heterogeneity of partner countries, as well as the donor community
 - Each donor has different strengths and weaknesses relative to others
 - Diversity likely to increase in the future (esp. the role of emerging donors and the private sector)
- ➔ *Development partnerships should be based on the principle of “diversity and complementarity.”*



Non-fungibility of Ideas

- Policy ideas are often non-fungible even under harmonized procedures.
 - In light of diversity of donors and partner countries, we should be open to various possibilities and explore ways most suitable for each case.
 - Importance of providing alternatives
 - Country ownership, based on policy multiplicity.
- ➔ *If all donors' advices are the same, how can partner countries choose and combine ideas?*

Non-fungibility of Ideas: Growth Support

World Bank	<ul style="list-style-type: none"> • Doing Business approach (general improvement of investment climate, benchmarking with international standards) 	Framework approach
DFID (UK)	<ul style="list-style-type: none"> • Doing Business approach • Strong interest in the financial architecture and policy framework (e.g., infrastructure, industrial support) 	Framework approach
Germany	<ul style="list-style-type: none"> • Doing Business approach is not enough; strong interest in the industry structure & players of the market economy • Multi-level approach—policy & institutions, intermediate associations, firms and TVET; capacity development 	Ingredients approach (+ framework)
Japan	<ul style="list-style-type: none"> • Doing Business approach is not enough; strong interest in industrial structure & players of the market economy • Dynamic capacity development—focus on strengths, goal orientation, field-based concrete thinking 	Ingredients approach (+ framework)
Growth Diagnostics (HRV Tree)	<ul style="list-style-type: none"> • Identify a limited number of country-specific binding constraints (benchmarking with International standards) • Mainly research; partner countries are expected to “self-discover” prescriptions. 	Framework approach
International Growth Center (IGC)	<ul style="list-style-type: none"> • Country-specific growth analysis and policy support; establishment of country offices • Intend to improve growth diagnostics by combining research & policy dialogue 	Framework approach (+ ingredients?)

Non-fungibility of Ideas (example: UK and Japan)



- “Infrastructure”
 - Innovation in infrastructure financing **(UK)** -- local currency guarantee, project development facility for privately-financed infrastructure, reaching the poor, etc.
 - Building roads & bridges **(Japan)** -- location, design & technology, durability, etc.
- “Industrial promotion”
 - Challenge funds **(UK)** -- matching grants for innovative business models, designing architecture for public-private partnerships, etc.
 - Concrete industrial support **(Japan)** -- Master Plan for specific industries, factory diagnosis, industrial human resource training, etc.

Non-fungibility of Ideas (more example: EU & JICA support in Tunisia)

	JICA Project	EU Project
Project Objectives	<ul style="list-style-type: none"> Strengthening international competitiveness of Tunisian industries 	
Main Activities	<ul style="list-style-type: none"> Quality improvement guidance at the production floor of model firms (<i>kaizen</i>) 	<ul style="list-style-type: none"> Assistance for firms to acquire ISO certification (int' l standards)
Features of Assistance	<ul style="list-style-type: none"> Different approach for each firm (<i>order made</i>) Instructors required to have practical experiences on the production floor Formulation of M/P through the bottom-up approach, deriving from the production floor 	<ul style="list-style-type: none"> Common approach for all firms (<i>ready made</i>) Instructors not required to have practical experiences Focus on quality management & document management systems <p>Source: T. Kikuchi, Ch.7(GRIPS 2008)</p>

Inseparability of Content and Instruments



- Content (= ideas) and instruments (= approaches) are hardly separable
- In development aid, different content / ideas call for diverse aid instruments
- Need to match aid modalities with development priorities of each country

→ *Conflict with the need for instrumental harmonization?*

Inseparability of Content and Instruments



It is important to match country needs, instruments, and *comparative advantages of donors*. → need to pursue instrumental “best mix” in each country context.

	Projects	Budget Support
Instruments	Addressing specific problems, seeking policy innovation, implementing pilot activities (for well-defined objectives)	Providing large resource transfers (incl. recurrent expenditures), generating multiple policy and institutional reforms in a synergic manner
Donors	Preferred by donors who emphasize field-based process support, as an entry point	Preferred by donors who excel in policy dialogue and administrative reform

Ethiopia

A Possibility of New Partnership Model in Africa?



- Strong “policy ownership” and clear leadership vision
- Strong interest in the East Asian experiences; using aid for graduation
- Policy already in place:
 - ADLI (Agri. Dev. Led Industrialization) (since mid-90s)
 - Industrial Dev. Strategy (2002): emphasis on exports & priority industries
- **GoE approaches donors individually (“policy multiplicity” rather than “one voice”), requesting industrial support unique to each donor:**
 - Germany – comprehensive support under the Engineering Capacity Building Program (TVET, business support, universities, quality infrastructure, etc.) & UCBP
 - Japan – industrial policy dialogue and business support (*Kaizen*)
 - Italy/UNIDO – leather industry, M/P drafting
 - USAID – marketing, matching for AGOA
 - World Bank – competition policy, privatization, business support
 - China – infrastructure (roads, dams), TVET, industrial zones, textile MP
 - India – industrial zone for garment firms

Implications for African Partners and Donors



- Greater attention should be given to the East Asian perspectives of ownership and development partnerships
 - Policy ownership
 - Using aid for growth and graduation (“aid relations” – too narrow)
 - Linking aid, trade and investment

- Donors should:
 - Seek an inclusive approach to enhance combined development effectiveness.
 - Collaborate, based on the principle of “diversity and complementarity.”
 - Support capacity development of partner countries, so that they could make “informed choices” based on policy multiplicity.