

## **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 27 November 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 been transformed 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, 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**  
**“Industrialization 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* 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 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 TICADIV 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.