Proposal for a New African Growth Support Initiative

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GRIPS Development Forum: Secretariat for Multi-stakeholder Discussion Group
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


“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
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)


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

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**Dynamic capacity development:**

Improve ability through selective hands-on experience—clear goals, focused efforts, trials and errors, cumulative sense of achievement
Select Target Countries for Success Stories

<Selection Criteria>

Partner countries
- Leadership
- Govt. administration for policy implementation
- Economic potential

Japan
- Possibility of financial support
- Business interest
- Capacity of country-based team

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

Vietnam = Transition economy + Underdevelopment

Tasks:
- Macroeconomic stabilization
- Structural adjustment (systemic transition to market economy)
- Long-term development strategy

Phase 1 (95.8-96.6)
- Macro-economy
- Fiscal and monetary policy
- Industrial policy
- Agricultural and rural development

Phase 2 (96.7-98.3)
- Fiscal and monetary policy
- Participation in AFTA/APEC/WTO and industrial policy
- Agricultural and rural development
- SOE reform

Follow-up Phase (98.7-99.7)
- General commentary
- Fiscal and monetary matters
- Industry and trade
- Agricultural and rural development

Phase 3 (99.9-01.3)
- General commentary
- Fiscal and financial reform
- Trade and industry
- Agricultural and rural development
- SOE reform and private sector development

Joint research (2001-)
- Agriculture and rural development (livestock, vegetable, fruits and industrial crops, etc.)
- Monetary policy under partial dollarization
- Fiscal policy (introduction of personal income tax)
- Trade and industrial policies in the age of integration (NEU-JICA joint research program ➔ GRIPS-VDF)

Advice on the drafting process of the 6th Five-Year Plan
Advice on the implementation issues of the 6th Five-Year Plan, including participation in AFTA/APEC/WTO and industrial policy
Advice on the emerging issues arising from the East Asian crises and the economic integration process
Advice on the formulation of the 7th Five-Year Plan


Continuous Policy Dialogue in the Partnership Context

The case of Tanzania (development partnership)

- MKUKUTA (2nd PRSP) – Govt. vision for broad-based growth
- Active development partnerships underway
- Japan: focused assistance plan (i.e., infrastructure and agriculture), participating in budget support, co-chairing the Growth Cluster Group, dispatching policy advisers (industrial development, PRSC), etc.
- Active discussions on “growth drivers” (e.g., corridor & port development; special economic zones) ➔ the next step would be to forge consensus on their prioritization with coherency
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.
(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
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.
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
Components of Japan’s ODA in El Salvador (ongoing)

KEY INFRASTRUCTURE
- Construction of La Union Port
- Rebuilding an old bridge (Honduras border)
- Digital map technology for efficient planning
- Urban development planning for La Union City

Social & Human RD
- MEGATEC La Union (training center)
- Primary schools & math
- Clean water
- Rural electrification
- Solid waste control

Support for Productive Sectors
- SME promotion
- Aquaculture
- Small-scale agriculture
- Reservoirs & irrigation
- Small-scale livestock

Eastern Region Development
- La Union Port
- Plan Puebla Panama
- CAFTA & other FTAs
- Cent. Amer. integration
- M/P for Eastern Region
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)
(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
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!

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