Japan-UK Aid Partnership for 2008 and beyond

GRIPS Development Forum
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About GRIPS Development Forum (GDF)

- Launched in 2002, within the National Graduate Institute for Policy Studies (GRIPS)
- A research unit dedicated to policy studies and networking in the area of int’l development and aid
  - Industrial policy and globalization
  - Development administration and aid management
  - Growth support in Africa
  - ODA policy and reforms, etc.

http://www.grips.ac.jp/forum-e/ (for GDF activities)
2008: The “Year of Destiny” of Japan’s Aid

- TICAD IV (Tokyo International Conference for African Development): May 28-30
- Hosting G8 Summit: July 7-9
- OECD H/L Forum on Aid Effectiveness: September (Accra)
- New JICA: October
- UN Conference on Finance for Development: November (Doha)

> Excellent opportunities to demonstrate Japan’s renewed commitment to aid and share its development visions

GoJ Preparation for 2008

- TICAD IV  *Towards a Vibrant Africa*
  - Boosting economic growth in Africa
  - Ensuring “Human Security”
    - Poverty reduction towards achieving MDGs
    - Peace and stability, and democratization
  - Addressing environmental issues/climate change

- G8 Summit  Hokkaido, Lake Toya
  - Climate change/environment, as priority agenda
  - A new financing mechanism being explored (totaling $10 billion for five years)

- Related activities
  - A proposal by the Foreign Minister’s Advisory Committee on International Cooperation (Jan. 2008)
Our Observation

- Japan’s promise of doubling ODA to Africa (2005-07) at the 2005 Gleneagles Summit: likely to be achieved, if debt relief is also included
- Political inertia continues (except for several supporters in LDP); Japan’s vision for future ODA strategy and volume for Africa remains unclear
- Modest public interests in the African agenda, compared to climate change/environment
- Concerns expressed by African Diplomatic Corps in Tokyo, academia, CSOs (TCSF, TNNet, CCfA), etc.
- Japan 2008 G8 NGO Forum (Jan. 2007- ), intensifying advocacy efforts and preparing common platform

TSCF: TICAD Civil Society Forum / TNNet: TICAD IV NGO Network / CCfA: Civic Commission for Africa

GDF’s Initiatives for 2008

- Private ODA Manifesto
- Japan-UK Aid Partnership Report
GDF Initiatives for 2008 (1):
Private ODA Manifesto

- Monthly discussion forum among aid stakeholders on Japan’s ODA renovation
  - July 2006 - October 2007 (met 12 times)
  - Over 120 participants
- Voluntary initiative by those professionals who share a sense of crisis in Japan’s ODA and the importance of 2008
- Formulated 30 concrete proposals for renovating Japan’s ODA (issued in Oct. 2007)

http://www.grips.ac.jp/forum/oda_salon/index.htm
http://www.grips.ac.jp/forum-e/ (for English version)

Our Private ODA Manifesto:
Main Issues

- Clarify the vision and strategies
- Satisfy the needs of developing countries and strengthen the field-level functions of ODA implementation
- Lead the global development debates
- Promote the understanding and participation of citizens
- Restructure and strengthen the systems for ODA policy implementation
- Reform and improve the administrative systems and procedures
- Increase the ODA budget and reform its funding mechanisms
- Develop the career paths and improve the human resources development system
- Enhance collaboration with the private sector and form public-private alliances
- Clarify the vision and sharpen the focus of Japan’s aid to Africa
GDF Initiatives for 2008 (2): Japan-UK Aid Partnership Report

  - Serving as the conceptual basis for Japan-UK partnership
  - Assisting GoJ in formulating key messages in the 2008 events
- Independent research initiative by GDF, in collaboration with the interested parties in UK
  - Authors: researchers, policymakers and practitioners in UK, Japan, Asia (Malaysia) and Africa (Uganda)

Japan-UK Aid Partnership: Key Concept

- Donor collaboration based on the principle of “diversity and complementarity”
- Arguments for strategic and instrumental diversity
  - Comparative advantages of donors
  - Non-fungibility of ideas
  - Inseparability of content and instruments
- Japan-UK bilateral aid partnership should be also guided by this principle
Comparative Advantages of Donors

- Is global convergence to a single idea or approach desirable? (↔ large swings in development vision in the past decades)
- Heterogeneity of partner countries, as well as the donor community
- Each donor has different strengths and weaknesses relative to others
- Donor diversity likely to increase in the future
- Importance to seek an inclusive approach to enhance combined aid effectiveness

Distribution of Sector Allocable ODA to Low Income Countries and Sub-Saharan Africa (commitments, period averages, %, 1990-2004)

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.

Non-fungibility of Ideas (Examples)

- Debate over transition strategy: “big bang” vs. “gradualism”
  - Different strategies adopted by China, Vietnam, as compared to Russia, Eastern Europe
- Some East Asian countries took advantages of non-fungibility of policy ideas
  - Deliberately seeking a variety of competing advice from different donors to match country needs and donor expertise (e.g., Thailand’s Eastern Seaboard Development Plan, Malaysia’s response to financial crisis)
Inseparability of Content and Instruments

- Different degree of specificity and transaction intensiveness in public sector activities
  - Pritchett and Woolcock (2002); Fukuyama (2004)
- Different development objectives call for diverse aid instruments
  - Conflict with the need for instrumental harmonization?
  - Need to match aid modalities with development priorities of each country

It is important to match country needs, instruments, and comparative advantages of donors

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<thead>
<tr>
<th>Instruments</th>
<th>Projects</th>
<th>Budget Support</th>
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<tbody>
<tr>
<td></td>
<td>Addressing specific problems, seeking policy innovation, implementing</td>
<td>Providing large resource transfers (incl. recurrent expenditures), generating</td>
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<td>pilot activities (for well-defined objectives)</td>
<td>multiple policy and institutional reforms in a synergic manner</td>
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<td>Donors</td>
<td>Preferred by donors who emphasize field-based process support, as an</td>
<td>Preferred by donors who excel in policy dialogue and administrative reform</td>
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<td>entry point</td>
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Preferred by donors who excel in policy dialogue and administrative reform
How Different?: Japan’s Bottom-up Approach to Quality Improvement

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<th><strong>JICA Project</strong></th>
<th><strong>EU Project</strong></th>
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<tbody>
<tr>
<td><strong>Project Objectives</strong></td>
<td>Strengthening international competitiveness of Tunisian industries</td>
<td>Assistance for firms to acquire ISO certification (int’l standards)</td>
</tr>
<tr>
<td><strong>Main Activities</strong></td>
<td>Quality improvement guidance at the production floor of model firms</td>
<td>Common approach for all firms (ready made)</td>
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<td></td>
<td></td>
<td>Instructors not required to have practical experiences</td>
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<td></td>
<td></td>
<td>Focus on quality management &amp; document management systems</td>
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<td></td>
<td></td>
<td>(Source: Kikuchi 2007)</td>
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<tr>
<td><strong>Features of Assistance</strong></td>
<td>Different approach for each firm (order made)</td>
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<tr>
<td></td>
<td>Instructors required to have practical experiences on the production floor</td>
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<td></td>
<td>Formulation of M/P through the bottom-up approach, deriving from the production floor</td>
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How Different?: Japan-UK as Donors

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<th><strong>Japan</strong></th>
<th><strong>UK</strong></th>
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<tr>
<td><strong>Volume (ODA/GNI)</strong></td>
<td>$11,187 mn (0.25%)</td>
<td>$12,459 mn (0.51%)</td>
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<td>(2006: net disbursement)</td>
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<td><strong>Regional distribution</strong></td>
<td>East Asia &amp; Oceania (40.7%)</td>
<td>Sub-Saharan Africa (53.6%)</td>
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<tr>
<td>(2004-05: % of total gross disbursement)</td>
<td>Middle East &amp; North Africa (19.3%)</td>
<td>South &amp; Central Asia (21%)</td>
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<td><strong>Major aid use</strong></td>
<td>Economic infrastructure (26.8%)</td>
<td>Social &amp; administrative infrastructure (30.0%)</td>
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<td>(2004-05: % of total bilateral commitments)</td>
<td>Social &amp; administrative infrastructure (21.4%)</td>
<td>Humanitarian aid (8.1%)</td>
</tr>
<tr>
<td><strong>Grant share</strong></td>
<td>48.8%</td>
<td>96.5%</td>
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<td>(2005: % of total ODA commitments)</td>
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<tr>
<td><strong>Budget support</strong></td>
<td>5 countries (2007)</td>
<td>17 countries (2004/05)</td>
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<td><strong>ODA through NGOs</strong></td>
<td>1.7%</td>
<td>9.2%</td>
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<td>(2004-05: % of total bilateral commitments)</td>
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Source: OECD/DAC (Development Cooperation Report 2006, CRS online database)
Features of Japanese Aid

- Dual identity as donor and latecomer: growth aspiration, real sector concern
- Field-based, concrete thinking; pragmatism
- Passive ODA policy; clumsy speaker
  - Ethical debts to neighboring Asian countries
  - Fragmented aid system (both policy and implementation)
  - Weak political interest in ODA policymaking
- Modest stance in aid relations can contribute to fostering relationships of mutual trust?
- Currently, reforms underway, on ODA institutional framework

New Institutional Framework for Japan’s ODA

1. Overseas Economic Cooperation Council (OECC)
   - Prime Minister
     - Chief Secretary
     - MOFA Minister
     - MOF Minister
     - METI Minister

2. Strengthening of MOFA’s policy planning and coordination capacity
   - Global Issues Dept. Development
   - UN Admin.
   - ECB
   - MOFA Minister
     - Policy Planning for Int’l Cooperation
   - ICB
     - Foreign Policy Bureau
     - Regional Bureaus

   - JICA
     - MOFA
     - New PFI
     - New JICA
     - OOF
     - ODA loans
     - TA
     - Grants
     - Public Financial Institutions
     - OOF
     - ODA loans
     - TA
     - Grants

Source: Ministry of Foreign Affairs
Notes: ECB: Economic Cooperation Bureau / ICB: International Cooperation Bureau
Features of British Aid

- DFID, widely seen as effectively leading global development debates; coherent and organized approach to aid delivery
- Good at designing policy frameworks and institutional architecture; strong drive for innovative approaches
- Sometimes perceived as promoting its own model? (DAC Peer Review 2006)
- “Policy-rich”; but driven by idealism, detached from field-based practices?

Why Japan-UK Aid Partnership Now?

- Japan and UK are important players in the donor community (2nd & 3rd largest DAC donors)
- Because the two are very different, there exists a great potential for productive cooperation
- 2008 offers a window of opportunities for promoting fruitful collaboration, esp. in growth support in Africa
- The two can also make important contributions to engaging Asian “emerging donors” in supporting African development

The END