

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

## **GRIPS Development Forum**

Secretariat for the Multi-stakeholder Discussion Group on

“African Growth Support Initiative”

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## Preface

This proposal for a “New African Growth Support Initiative” was compiled by the National Graduate Institute for Policy Studies (GRIPS) Development Forum, based on intensive discussions by a multi-stakeholder group aimed at concretizing Japan’s growth support to Africa in the context of the Fourth Tokyo International Conference for African Development (TICAD IV), which was held on May 28–30, 2008, in Yokohama, Japan. The participants of the multi-stakeholder group were professionals interested in enhancing Japan’s growth support to Africa. They included government officials, staff of aid implementing agencies and international organizations, researchers, and businesspersons.<sup>1</sup> The group met four times between April and June 2008, with each member participating in a personal capacity. The proposal also benefited from discussions at a GRIPS Development Forum workshop held in late July 2008, which gathered African perspectives on Japan’s contribution to African development, with the participation of prominent African professionals and African ambassadors in Tokyo.<sup>2</sup>

In initiating the multi-stakeholder discussions, we referred to the following recent policy initiatives aimed at reactivating Japan’s support to Africa.

- “Report of the Stocktaking Work on the Economic Development in Africa and the Asian Growth Experience” by the Japan International Cooperation Agency (JICA) and the Japan Bank for International Cooperation (JBIC), May 2008
- “Interim Report by the Advisory Council on International Cooperation” submitted to the Minister of Foreign Affairs, January 2008
- “ODA Manifesto—30 Proposals for Enhanced International Cooperation” by the Group for Renovating Japanese Official Development Assistance (ODA), October 2007 (with the GRIPS Development Forum serving as secretariat)

In formulating this proposal, we have given due consideration to renewed interest in the growth agenda on the part of the international aid community in recent years. We have analyzed current international efforts to support African development to determine how they can be enhanced by incorporating East Asian perspectives and what kind of actions should be taken by Japan in this endeavor, in collaboration with other development partners.

We hope that this proposal will be useful for policy makers, aid practitioners, researchers, and professionals in the business and civil society sectors who are responsible for implementing the Yokohama Declaration and the Yokohama Action Plan adopted at the TICAD IV. We also hope

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<sup>1</sup> For the activities and meeting minutes of the multi-stakeholder discussion group, please see the African Growth Support Initiative websites as follows: <http://www.grips.ac.jp/forum/af-growth/index.htm> (Japanese), <http://www.grips.ac.jp/forum-e/af-growth/index.htm> (English).

<sup>2</sup> GRIPS Development Forum workshop “How Can Japan Effectively Support Economic Growth in Africa—The African Perspective,” July 25, 2008.

that the proposal will serve as policy input to the new JICA—which will be established in October 2008 through the merger of the current JICA and the ODA loan operations of JBIC—when it concretizes country-specific assistance packages related to “Boosting Economic Growth” (one of the priority pillars of the TICAD IV), in selecting target countries and identifying entry points and specific activities for Japan’s engagement.

This proposal consists of the following contents:

1. Basic principles
2. Enhancement of growth support by incorporating East Asian perspectives
3. Target countries and selection criteria
4. Entry points for Japan’s engagement
5. Requests for the Japanese Government and the new JICA

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

In May 2008, the Government of Japan co-hosted the Fourth Tokyo International Conference for African Development (TICAD IV) with the World Bank, the United Nations, and the United Nations Development Programme, around the theme “Towards a Vibrant Africa.” The TICAD IV adopted the Yokohama Declaration and the Yokohama Action Plan, which call for continued and intensified international efforts to support African development, outlining the actions to be taken in the next five years under the TICAD process. As the main organizer of the TICAD IV, the Japanese Government made a strong commitment to intensify its engagement in African development. In particular, to support growth acceleration (corresponding to one of the TICAD IV priority pillars, “Boosting Economic Growth”), the Japanese Government announced a series of initiatives including: (1) increasing Japan’s Official Development Assistance (ODA) (providing ODA loans up to US\$4 billion in the coming five years, and doubling grant aid and technical cooperation) and private investment in Africa; (2) increasing infrastructure ODA through co-financing with the World Bank and the African Development Bank and the expansion of technical cooperation in related areas; and (3) utilizing other official flows to encourage foreign investment to Africa (setting up the Japan Bank for International Cooperation [JBIC] Facility for African Investment to offer equity investment, guarantees, and local currency financing, and promoting public-private partnerships). The Japanese Government also indicated its willingness to strengthen policy dialogues with African governments by “support[ing] African countries to plan and implement industrial development strategies and policies, drawing on Asian experiences as appropriate” (TICAD IV, 2008b, p. 4). In light of today’s economic dynamism and rising interest in East Asian development experiences among African countries, we consider these initiatives timely and highly relevant.

To follow up on the TICAD IV and effectively implement the Yokohama Declaration and the Yokohama Action Plan, Japan should immediately formulate overall and country-specific assistance visions for African development. Especially, there is a need to package individual initiatives for each country, with due consideration to the combination of various components (e.g., agriculture and rural development, private sector development, infrastructure development) to achieve sustainable growth and poverty reduction in African countries.

Our proposal for a “New African Growth Support Initiative” (hereinafter referred to as a “new growth support initiative”) aims to reactivate Japan’s support to Africa by sharpening the focus of the support, enhancing the current international efforts by incorporating East Asian perspectives, and strengthening Japan’s engagement in partnerships with relevant actors.

## 1. Basic Principles

The three basic principles of Japan's new growth support to Africa are:

- (1) Making a firm commitment to establishing long-term development partnerships with African countries, with sustained policy dialogue as a key ingredient;
- (2) Selecting a few target countries and producing “success stories” (the concept of “target countries” could be extended to specific regions/areas overlapping into neighboring countries), and restructuring and concentrating human and financial resources in the selected countries; and
- (3) Mobilizing cooperation by other donor agencies, emerging donor countries (for example, under the framework of South-South cooperation), and the private sector (Japanese and non-Japanese firms) and putting Japan's growth support into the partnership context.

Let us discuss these points in greater detail. First, without a strong policy commitment, Japan's ODA to Africa faces difficulty when it comes to putting together assistance packages that combine sustained policy dialogue, financial cooperation, and technical and intellectual support—with the exception of a limited number of annual ODA loan recipients with whom the Japanese government and aid agencies have more opportunities for comprehensively discussing national development priorities over the longer term, including macroeconomic management, infrastructure development, and public service delivery. This is the fundamental difference between Japan's aid to Africa and its experiences in Asia, where Japan has fostered long-term partnerships and provided assistance packages based on shared visions with partner countries. Therefore, for Japan to engage itself in the new growth support initiative in Africa, it is critically important that Japan make a firm commitment to building long-term partnerships with recipient countries, learning from the lessons of its past aid to Africa. The scope of Japan's engagement could vary, ranging from overall development policies, sector-specific policies, and master plans for regional development to the prioritization of development projects and so on. This scope should be decided according to country-specific circumstances, but sustained policy dialogue should be a key ingredient of all of Japan's assistance packages, including measures to promote public-private partnerships.

Second, it is necessary to focus the initial efforts on a few countries in order to produce “success stories.” We expect that these “success stories” will motivate other countries to follow Japan's new growth support initiative. Although the Japanese Government announced an increase of its ODA to Africa at the TICAD IV, the amount remains small relative to that of other donors. Furthermore, the size of Japan's country-based ODA task forces (primarily composed of the staff of the Embassy of Japan and JICA offices) is small if measured by the number of aid professionals. Therefore, it is crucial to select a small number of target countries and concentrate or reallocate human and financial resources in these countries.

Third, in view of strong development partnerships and the limited presence of Japan's aid and business in Africa, Japan must make efforts to mobilize resources of other donors and developing countries (for example, under the framework of South-South cooperation) and explore the possibility of attracting non-Japanese private firms as well. Rather than unilaterally launching the new growth support initiative, Japan should actively participate in ongoing development partnerships and multi-donor initiatives at the country level, such as growth diagnostics and infrastructure support by the World Bank, the United Kingdom (UK)'s Department for International Development (DFID), and others (see section 2). Specifically, Japan should complement the Western approach with the East Asian approach and take intellectual leadership in a small number of African countries. Furthermore, Japan should mobilize East Asian professionals who have been directly involved in formulating and implementing development policies in their own countries and provide opportunities to share their accumulated experiences with African countries. In light of the difficulty of establishing industrial agglomeration only by Japanese firms, Japan should consider collaborating with non-Japanese firms (for example, those of Europe, United States, and emerging countries). Various options should be explored, including a possibility of taking phased approaches—inviting non-Japanese firms first and preparing for the attraction of Japanese firms in the medium and long term.

## **2. Enhancement of Growth Support by Incorporating East Asian Perspectives**

Following a decade of focus on poverty reduction, the growth agenda has recently returned to the center of global development debates. Typical examples of this new focus are intensified efforts to apply analytical tools such as growth diagnostics (which identifies a few binding constraints to growth; see below), expand donor assistance to infrastructure development, and promote public-private partnerships. The recent World Bank report, “Challenges of African Growth: Opportunities, Constraints and Strategic Directions” (Ndulu et al., 2007), and “The Growth Report: Strategies for Sustained and Inclusive Development” (Commission on Growth and Development, 2008) also stand as examples of the new focus on growth. Since the introduction of the first generation of Poverty Reduction Strategy Papers (PRSP) by the World Bank and the International Monetary Fund (IMF) in the late 1990s, Japan has insisted on the need to pay greater attention to growth and infrastructure development, so that developing countries could attain self-reliance and overcome aid dependency. Japan should seize the opportunity provided by the change in focus of global development debates by taking concrete actions to realize its development vision.

## **Infrastructure Development**

Under the poverty reduction drive, donor assistance for infrastructure declined sharply in the latter half of the 1990s; however, there has been a sign of change in recent years. According to the World Bank, the share of infrastructure in total sector-allocable ODA to low-income countries fell from 33 percent in 1990–94 to 22 percent in 2000–04, and the share of the social sector in total sector-allocable ODA increased from 29 percent to 52 percent in the corresponding period. In Sub-Saharan Africa, the share of infrastructure ODA decreased from 29 percent to 19 percent during this decade (International Development Association [IDA], 2007).<sup>3</sup> Nevertheless, especially since the Gleneagles G8 Summit was held in 2005, international efforts to expand infrastructure support in Africa have been intensified, as shown by the establishment of the Infrastructure Consortium for Africa and other initiatives. The World Bank announced its intention to place a special emphasis on Sub-Saharan Africa and scale up regional projects, especially those located in Sub-Saharan Africa, as part of the IDA 15 Replenishment (which mobilizes resources for World Bank operations in low-income countries during the period of July 2008 to June 2011). In 2007, the DFID formulated the “Growth and Infrastructure Policy Paper” and announced its strong interest in promoting growth through infrastructure development, private sector development, and trade. The United States (US)’s Millennium Challenge Corporation, since its establishment in 2004, has also been engaged in infrastructure support.

In principle, we should welcome the recent renewed interest in infrastructure development on the part of the international aid community. However, we should give due consideration to the possible debt burden on recipient countries, because large infrastructure projects often involve external borrowing. It is necessary to ensure that infrastructure development contributes to growth promotion and eventually strengthens the debt sustainability of those African countries. To this end, it is vitally important to identify and formulate high-quality projects and then implement policy measures that enable the infrastructure to be utilized to reactivate regional economies. The World Bank, DFID, and the US Agency for International Development (USAID) regard infrastructure support as an integral part of growth support packages and are making efforts to combine related measures, such as industrial development, trade promotion, and investment climate improvement.

## **Growth Diagnostics**

The growth diagnostics framework is a systematic methodology for undertaking country diagnosis and identifying the most binding constraints to growth. It is often referred to as the “HRV” approach after the Harvard economists who pioneered it, Ricardo Hausmann, Dani

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<sup>3</sup> All the figures cited above are commitments and period averages.

Rodrik, and Andres Velasco. This framework has been pilot-tested by aid agencies including the World Bank and DFID in a number of countries and is increasingly being incorporated in their economic reports. The framework attempts to remove a limited number of key constraints to growth (i.e., focused intervention) specific to each country by using a decision tree methodology. This is in sharp contrast to the traditional approach of directing the same Washington-Consensus-style reforms at all countries, based on a long list of interventions. Nevertheless, for the following reasons, room remains for improving the growth diagnostics framework: (1) The diagnosis is driven by economic analyses, with limited attention paid to the political feasibility of proposed measures. The framework's prime concern is to identify "what should be done" to initiate growth (desirability question), rather than "what can be done" given the existing political and institutional constraints (feasibility question). (2) The structure of problem setting is too narrow, and the decision tree treats the low level of private investment as the key problem. (3) It is neither realistic nor desirable to identify weaknesses of developing countries in terms of international standards and to try to remove them. This implies that developing countries should be "average" on all scores (for example, Worldwide Governance Indicators and Doing Business Indicators, proposed by the World Bank) before formulating and implementing their growth strategies. (4) While focusing on short-run constraints, the framework does not indicate the sequence of measures to be adopted over the long run. Even if one constraint is removed, another is likely to emerge in the complex growth processes. For all these reasons, whether the growth diagnostics framework will become a truly useful instrument for policy makers in developing countries remains to be seen. If the growth diagnostics framework is not carefully designed, there might be a risk of its becoming an additional donor-driven instrument.

Therefore, we consider it useful to complement the growth diagnostics framework by incorporating East Asian perspectives, such as a goal-oriented, problem-solving approach combined with a long-term policy dialogue for strategy formulation.

### **The East Asian Approach—Continuous Policy Dialogue for Joint Strategy Formulation, Goal Orientation, and Concrete Thinking**

Transferability of East Asian lessons to Sub-Saharan Africa is a popular topic in development economics, but investigation into this matter needs to go deeper than is currently being undertaken to be truly useful for policy makers. We believe that the "East Asian experiences" do not mean a standard "model" applicable to all African countries. Rather, it is the process (or a methodology in a broad sense) by which countries enhance their capabilities through trial and error, by applying a goal-oriented approach and concrete thinking. It is important to note that today's successful East Asian countries did not necessarily have strong institutional capabilities at the outset.

Japan should enhance the current international efforts by incorporating the two factors that characterize the East Asian approach. The first factor is concerned with engagement in long-term, open-ended policy dialogue for strategy formulation. This involves sharing a development vision with top leaders and policy makers in partner countries, jointly drafting development policies and strategies through trial and error processes, and developing them into concrete action plans. Such a “think together” approach should help identify both desirable and feasible policy measures for each country. Since development is both a political process and an economic process, policy formulation is inseparable from political and institutional reforms. We believe that “what should be done” (desirability question) should not be equated with “what can be done” (feasibility question). The optimal solution from an economic rationale is not necessarily implementable in a developing country faced with various political and institutional constraints. Even if the growth diagnostics framework identifies key binding constraints to growth for each country, the recommendations will not be useful if they conflict with political reality.

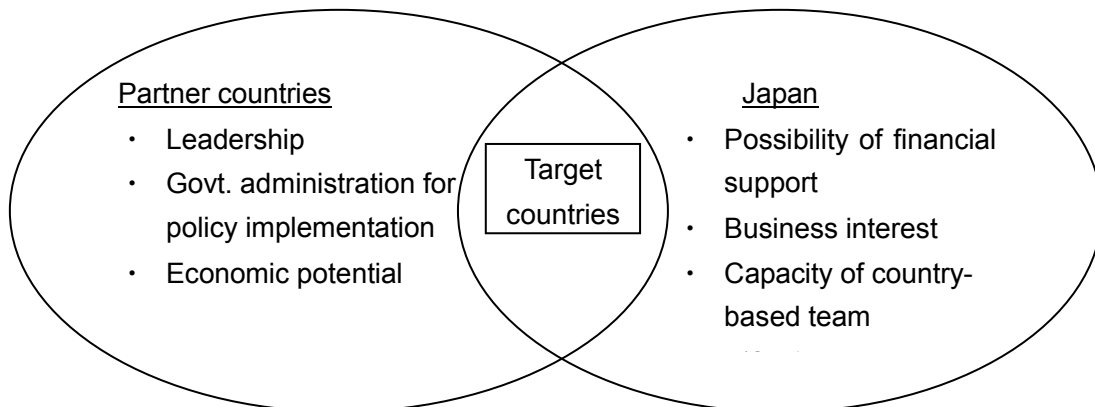
The second factor in the East Asian approach is concerned with goal orientation and concrete thinking. The East Asian approach pays greater attention to discovering positive aspects and identifying break-through opportunities for growth promotion, rather than correcting general weaknesses, compared to international standards. In this approach, growth constraints are viewed as specific obstacles blocking efforts to build the country’s unique strengths. Japan and other East Asian countries have identified their own strengths and made efforts to hone them by preparing concrete actions designed to make full use of their growth (such as promoting specific industries and regions/areas, developing road and communication networks based on a time-bound plan). Typical examples include coastal area development in China (Special Economic Zones), Eastern Seaboard Development Program in Thailand (port development combined with industrial zones), and highway and port development linked with foreign direct investment (FDI) attraction in Northern Vietnam.

In applying the East Asian approach, conflicts may arise between the current international drive toward “result-orientation” and open-ended, continuous policy dialogue because the latter case is likely to require more time to produce tangible results. Furthermore, some African countries may expect quick results from donor assistance. Given the need to consider both short- and long-term results, an option for donor engagement might be to aim to produce concrete results within the first three to four years of a longer timeframe (for example, by sharing a development vision up to 2020 and formulating time-bound action plans).

### 3. Target Countries and Selection Criteria

To implement the new growth support initiative and produce “success stories,” we propose that the Japanese Government select target countries based on the following criteria. As a precondition, the eligible countries must attain and keep macroeconomic and political stability.

- (1) Strong will for and solid understanding of implementation of growth strategies by the leaders in the political and administrative systems (including the country’s leader);
- (2) Existence of central government administration capable of consistent policy design and implementation;
- (3) Possibility of continuous financial support from Japan (preferably, budget support and ODA loans);
- (4) Interest by the Japanese private sector in investment (including large-scale investment projects);
- (5) Potential for economic development (including labor quality and geographical conditions such as coastal areas and islands); and
- (6) Accumulation of country knowledge and experience and the capacity of Japan’s country-based, ODA task forces.



Among the six selection criteria, (1) and (2) are prerequisites for building a long-term relationship between a partner country and Japan. While (3), (4), and (5) are not prerequisites, their existence would facilitate the building of long-term partnerships between the two countries. If policy dialogue is conducted in parallel to the ODA-supported projects and/or private investments (including resource-based large-scale projects), the two countries will be better able to share a development vision and expected results. Criterion (6) is important. It is indispensable to assign human resources capable of conducting dynamic aid diplomacy and undertaking policy implementation in a consistent manner (staff of the Embassies of Japan, JICA offices, long-term experts, and so on). Nevertheless, this does not necessarily require a large staff equivalent to that of the Embassies and JICA offices in Asian countries. We believe that the assignment of a few competent professionals in the target countries will suffice to bring

dramatic changes. Such resource reallocation and concentration should be possible if the Japanese side (especially the Ministry of Foreign Affairs and JICA) has a strong political will to do it.

These suggested criteria for narrowing down target countries for Japan's enhanced support relate to the pillar of "Boosting Economic Growth." However, it is also possible to select target countries in relation to the other pillars of the TICAD IV, such as "Consolidation of Peace and Good Governance", "Achievement of the Millennium Development Goals (MDGs)", and addressing "Environmental Issues and Climate Change". The target countries for the new growth support initiative do not have to be the largest recipients of Japan's ODA; there is no need to explicitly link the size of Japanese ODA with the selection of target countries.

#### **4. Entry Points for Japan's Engagement**

In implementing the new growth support initiative, Japan should identify entry points for its engagement, giving due consideration to country-specific circumstances. Specifically, we propose the following four entry points for Japan's enhanced growth support to Africa.

- (1) If the country already has a valid development vision and strategy, provide policy support for their further improvement (if necessary) and align aid activities to realize them, for example, in the areas of human resource development, technology transfer, quality and productivity improvement, and infrastructure development.
- (2) If not, the country should engage itself in continuous policy dialogue for joint strategy formulation with partner countries (like a "mini" Ishikawa Project<sup>4</sup>) and align various aid activities around the new strategy. The scope of the strategy can vary; some examples are overall development policies, development of specific industries and geographical regions/areas, and prioritization of development projects.
- (3) Build core infrastructure with ODA and align various aid activities around it, such as the formulation of master plans for regional and/or industrial development, One-Stop Border Posts, local small- and medium-sized enterprise (SME) development, human resource development, and "One Village One Product (OVOP)" programs.

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<sup>4</sup> This project was formally named "Study on the Economic Development Policy in the Transition toward a Market-Oriented Economy in the Socialist Republic of Vietnam." The project was officially agreed to by the two governments when former Communist Party General Secretary Du Muoi visited Tokyo in April 1995. Shigeru Ishikawa, professor emeritus of Hitotsubashi University, was appointed as the leader on the Japanese side. The "Ishikawa Project" was implemented jointly by the Vietnamese and Japanese teams over six years (1995–2001) as part of JICA technical cooperation. The unique characteristics of the Ishikawa Project are that comprehensive and thorough analyses were conducted by a joint research team, involving Japanese academics and their Vietnamese counterparts, and that the research examined issues related to the formulation and implementation of Vietnam's long-term development plans and made policy proposals to address them.

- (4) If the country has attracted (or is likely to attract) large FDI projects by the Japanese private sector, mobilize ODA to create an enabling business environment through infrastructure development, regional and local SME development, human resource development, corporate social responsibility (CSR), and so on. However, it is important to ensure that such ODA mobilization for FDI-led projects benefits the local economy and society, not only particular firms.

Regarding the above (1) and (2), policy dialogue precedes specific ODA projects, while in (3) and (4), ODA projects or large FDI projects could come first. These two approaches are not conflictive, and several activities and projects could go together and complement each other. For example, regarding (3), if Japan and partner countries could share the vision for regional development and prioritization of various ODA projects through policy dialogue, it would be more likely that the benefits of infrastructure development could be spread to the wider segments of the population. Regarding (4), it is expected that the existence of large FDI projects would facilitate the conduct of policy dialogue with partner country governments.

Among the four entry points, (1), (2), and (3) are not entirely new for Japan. Japan has already accumulated experiences and expertise in extending support to these areas. For example, a standard menu of Japan's technical cooperation in East Asia includes the development of a "shindanshi" (enterprise evaluator) system for SMEs, support to quality and productivity improvement, and training for specific skill development. In Africa, JICA has recently provided technical cooperation to assist in the formulation of a master plan for quality and productivity improvement in Tunisia, where activities aimed at improvement of the production processes were implemented. These activities included factory diagnosis, guidance on quality and productivity improvement on the factory floor of model companies, and training of counterparts. The Ethiopian government has shown strong interest in this JICA assistance, and discussions are underway for possible industrial support from Japan. Regarding (2), Japan has been intensively involved in policy dialogue and has assisted in the formulation of development strategies in several East Asian countries. Examples include the "Ishikawa Project" in Vietnam (formally, "Study on the Economic Development Policy in the Transition toward a Market-Oriented Economy"), an "Economic Policy Support Program" in Indonesia, which provided policy advice for economic recovery after the East Asian financial crisis (supported by six Japanese scholars, including Prof. Takashi Shiraishi, who was at Kyoto University at that time, and Prof. Shinji Asanuma of Hitotsubashi University), and "Macroeconomic Policy Support for Socio-Economic Development" in Laos (led by Prof. Yonosuke Hara, who was at Tokyo University at that time). All these projects were based on agreements between the top leaders of partner countries and Japan. In Africa, JICA is conducting a "Triangle of Hope" project, mobilizing a Malaysian consultant to provide policy advice to improve the investment climate (an example of South-South cooperation). Based on this work, investment promotion initiatives are underway, targeting Indian and Malaysian firms. Also, a master plan and a feasibility study

for the establishment of Multi-Facility Economic Zones (MFEZ) are being conducted. Regarding (3), there are many examples, including the Eastern Seaboard Development Program in Thailand to create industrial zones around a port infrastructure; the development of a Hanoi-Haiphong transport corridor combined with Haiphong Port improvement in Vietnam, which aims at FDI attraction; and the development of Sihanoukville Port and power and telecommunication networks combined with a special economic zone in Cambodia. In addition, as a non-Asian example, Japan's ongoing initiative in El Salvador deserves special attention (see below).

The above (4) is a new initiative, based on Japan's commitment at the TICAD IV to promote public-private partnerships. We expect its fuller development in the future.

### **Japan's Initiative in El Salvador**

Since 2001, the Japanese Government has been supporting the development of La Union Port in El Salvador through an ODA loan and aligning various aid activities with port development, aimed at promoting the development of El Salvador's less developed Eastern Region and strengthening the country's economic competitiveness. This is a good example of the above (3): building core infrastructure with ODA and aligning aid around it. We consider Japan's initiative in El Salvador noteworthy in the following three aspects.

First, this initiative is based on the East Asian approach to perfecting the country's strengths, rather than correcting its general weaknesses (the aim of the growth diagnostics framework). In El Salvador, by international standards, infrastructure is not the major binding constraint to growth. But the Government of El Salvador embraces a vision for reactivating the Eastern Region, raising the country's productivity and competitiveness, and eventually promoting trade in Central America as a regional transport hub, through the upgrading of the La Union Port. For El Salvador, the La Union Port Development Project is a key entry point to realize this national vision. Second, in parallel to the infrastructure project, the Japanese Government assisted in the formulation of a master plan for the development of the Eastern Region and is providing technical and financial cooperation to realize priority activities proposed by this master plan, such as human resource development, water resource management, agriculture and industrial development, SME promotion, formulation of trade and investment promotion strategy, and so on. Furthermore, this master plan is expected to serve not only as JICA assistance, but also as a coordinating framework for other donor assistance to the Eastern Region. Third, the initiative has been implemented by a dynamic country-based ODA task force,<sup>5</sup> building on close

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<sup>5</sup> The Japanese Ministry of Foreign Affairs officially established ODA task forces in March 2003 in the majority of developing countries. This was a new attempt to set up an all-Japan coordinating body in the field that can foster internal Japanese coordination around a common vision and build synergies among agencies dealing with grants (Embassy of Japan), technical cooperation (JICA), loans (JBIC), and private

collaboration between the Embassy of Japan and the JICA office. The Japanese Ambassador was actively engaged in policy dialogue with the President and economic ministers on a regular basis, discussing the prioritization of Japanese assistance in light of the country's development needs. The size of the ODA task force in El Salvador is not as large as that in Asia, but this experience suggests that if clear assistance vision exists, it is possible to build a dynamic country-based team necessary for implementing the new growth support initiative.

## **5. Requests for the Japanese Government and the new JICA**

The new JICA, to be established in October 2008, will be the largest bilateral aid agency responsible for technical cooperation, grant aid, and loan aid (ODA loans). There is a high expectation that the new JICA will make important contributions to African development. It is our strong desire and request that the Japanese Government support this proposal for the "New African Growth Support Initiative" and, in collaboration with the new JICA, select target countries based on our suggested selection criteria (described in section 3), and take necessary actions including resource mobilization and allocation. We also request that the new JICA, as a main actor to implement the new growth support initiative, assume full responsibility for implementing assistance packages in the selected countries, with due consideration to the four entry points mentioned above (see section 4). Below, we list specific issues to be considered in the implementation of the initiative.

First, it is important to build professional teams to provide intellectual aid by forging new alliances among the public, private, and academic circles. Based on the lessons learned from past experiences, we suggest that serious efforts be made to form a consortium of universities, consulting firms, and local research institutes (in partner countries) to undertake policy dialogue and provide necessary intellectual support for formulation and implementation of development policy.

Second, it is important to build a theoretical basis for growth support with East Asian perspectives and to vigorously disseminate Japan's messages to the international aid community and developing countries. On this point, we have a high expectation on the role of the research institute of the new JICA and its collaboration with universities and other research institutes. We also believe that the message of Japan's new growth support initiative should be disseminated to the Japanese taxpayers and electorate.

Third, it is necessary to devise innovative approaches and instruments, particularly in infrastructure development, to ensure the formulation of high-quality projects. More specifically,

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sector development (Japan External Trade Organization, or JETRO).

there is a need to mobilize technical cooperation at the early stage of project formulation, enhance the content of feasibility studies, and implement technical cooperation to support capacity development for operation and maintenance systems and so on. It is also important to strengthen collaboration with regional development organizations such as the Development Bank for Southern Africa, which is recognized for its ability and experience in project formulation, appraisal, and implementation.

Fourth, it is necessary to introduce instruments to support local private sector development. These may include microfinance, equity investment, and guarantees. Implementing them should allow the benefits arising from ODA-supported infrastructure projects and privately-financed large-scale investment projects to contribute to local SME promotion and regional development. It is also important to make efforts to link the micro-level information obtained from local SME support and other assistance to the macro-level policy dialogues.

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