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**GRIPS-ODI Joint Seminar on  
The Impact of PRSPs: Achievements, Challenges and the Role of Aid**

**By GRIPS Development Forum**

-----in Tokyo, Japan (June 9, 2005)

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## Foreword

The National Graduate Institute for Policy Studies (GRIPS) Development Forum has been engaged in a series of studies related to aid partnership, Poverty Reduction Strategy Papers (PRSPs), and development policies. Through these activities, we have strengthened collaboration with the Overseas Development Institute (ODI), a London-based think tank with extensive research experiences in these issues particularly in the African context. In June 2005, we organized a joint seminar with ODI in Tokyo on the topic of impact of PRSPs. This is the second GRIPS-ODI joint seminar, following the one held in March 2005 on aid modalities.

We would like to publish the records of this joint seminar in the GRIPS policy minutes series to share the content of the seminar discussions, reflections and the way forward. We would like to invite comments and suggestions from those participated in the seminar, as well as the other aid professionals, policy makers, and researchers who are interested in this topic.

Moreover, taking advantage of this opportunity, we organized an academic discussion session with ODI researchers (led by Prof. Shigeru Ishikawa), prior to the joint seminar. The main points of the discussion are included in Annexes.

We hope that a series of our activities will contribute to the Building Japan-UK Research Networks Project, by deepening dialogue between UK and Japanese researchers on international aid and development policies.

For more details on this seminar, please visit the website of GRIPS Development Forum:

<http://www.grips.ac.jp/forum/> (Japanese)

<http://www.grips.ac.jp/forum-e/> (English)

For more details on the Building Japan-UK Research Networks Project, please visit:

[http://www.odi.org.uk/RAPID/UK\\_Japan/index.html](http://www.odi.org.uk/RAPID/UK_Japan/index.html)

\*The Building Japan-UK Research Networks Project is initiated by ODI and aims to increase interaction between researchers in Japan and the UK, particularly in the areas of the latest thinking and practice in aid policy.

July 2005

GRIPS Development Forum

<p>This report has been compiled by GRIPS Development Forum in consultation with the keynote speaker and the panelists. Nevertheless, final responsibility and any errors rest with GRIPS Development Forum.</p>
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**GRIPS-ODI Joint Seminar**  
**The Impact of PRSPs: Achievements, Challenges and the Role of Aid**

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## **Programme**

### **GRIPS-ODI Joint Seminar**

#### **The Impact of PRSPs: Achievements, Challenges and the Role of Aid**

**Time:** June 9, 2005 (Thursday), 14:00-17:30

**Venue:** National Graduate Institute for Policy Studies (GRIPS), Seminar Room 3C

**Programme:**

- 14:00 -14:15 Introduction
- Seminar objective (Izumi Ohno, Professor GRIPS)
  - UK-Japan Research Initiative (Julius Court, Research Fellow/ODI)
- 14:15-14:45 Keynote Speech
- “The Impact of PRSPs: achievements, challenges and the role of aid”
- David Booth (Research Fellow & the Coordinator, Poverty and Public Policy Group/ODI)
- 14:45-15:30 Comments and Panel Discussions
- “How should we respond to the challenges of institution building in developing countries?” (Moderated by Izumi Ohno/GRIPS)
- Kazuo Kodama (Deputy Director General, Economic Cooperation Bureau, Ministry of Foreign Affairs)
  - Takehiko Nakao (Director, Coordination Division, International Bureau, Ministry of Finance)
  - Seiji Kojima (Vice President, JICA)
  - Shozo Kitta (Executive Director, JBIC Institute)
  - Motoki Takahashi (Professor, Kobe University)
- 15:30-15:45 Coffee Break
- 15:45-17:00 Panel Discussions (contd.) & Questions and Answers
- 17:00- Wrap up

## **Report on GRIPS-ODI Joint Seminar**

### **The Impact of PRSPs: Achievements, Challenges and the Role of Aid**

This note provides: (i) the summary of keynote speech; (ii) the main points discussed; and (iii) reflections and the way forward. The main purpose of the second GRIPS-ODI Joint Seminar was to deepen the understanding of the impact of PRSPs (Poverty Reduction Strategy Papers) on the institution building efforts of developing countries, discuss their achievements and challenges, and draw implications for how donors can effectively assist developing countries in strengthening their national institutions and processes for policy planning and implementation.

The seminar consisted of: (i) brief introduction by Izumi Ohno (GRIPS Development Forum) and Julius Court (ODI) on the objective of this seminar and the update of Japan-UK Links on International Development; (ii) keynote speech by David Booth, ODI, on the impact and experiences with PRSPs to date, including their achievements and challenges, and suggest implications for the role of aid; (iii) comments and discussions by panelists, namely, representatives of the Ministry of Foreign Affairs (MOFA), the Ministry of Finance (MOF), the Japan International Cooperation Agency (JICA), the Japan Bank for International Cooperation (JBIC), and academia; and (iv) questions and answers by all the participants.

[See Annex 1 for background and objectives of the seminar]

After introductory remarks by Izumi Ohno, Julius Court explained the main objectives of Japan-UK Links on International Development (“Building Japan-UK Research Networks Project”), key activities such as a series of synthesis papers by ODI on UK aid approach and development research (available from the website), the JICA-supported study on aid to Africa, and GRIPS-ODI joint seminars. He stressed the importance of enhancing Japan-UK collaboration as two major players in the aid community and keeping this momentum up to the year 2008 when Japan will host a G8 summit and TICAD IV.

[See Annex 2-1 for PPT]

55 aid professionals participated in the seminar, including policy makers, practitioners, consultants, researchers, and NGOs from the outside. (The number excludes the keynote speaker, panelists and the GRIPS team.) Active discussions took place over: (i) ownership and institutions (e.g., ownership under the PRSP approach, capacity development, appropriateness of PRSPs as a tool for planning and institution building); (ii) aid strategy and approach (e.g., growth aspect of PRSPs, aid modalities, Japan’s readiness to be engaged in policy dialogue);

and (iii) political aspects of domestic reforms and PRSPs (including “hard” state and democratization, the role of aid in addressing political aspects).

We are pleased to note that there has been general appreciation to the quality of the seminar, especially, constructive and forward-looking discussions among the keynote speaker and the panelists. Several participants welcomed the direction indicated by the panelists (senior policymakers and aid professionals) regarding Japan’s enhanced engagement in policy and institutional aspects, as well as the support to PRSPs.

## **Summary of Keynote Speech**

### **David Booth**

#### **“The Impact of PRSPs: Achievements, Challenges and the Role of Aid”**

David Booth first explained that PRSPs are not just a new planning technology. They should rather be seen as a long-term effort to enhance the policy process and build institutions in partner countries, based on the recognition of the limitations of project aid and conditionality. He stressed the importance of country context, clarifying that his presentation focuses on “soft” states, where the state has not yet established its core governing functions and effectively penetrated into various segments of the society. To strengthen the capacity of such “soft” states, greater attention should be paid to domestic politics and society.

The speaker summarized the impact of PRSPs as follows: (i) PRSPs have made valuable contributions to enhancing the policy-process in some partner countries; (ii) but, such gains are modest, and we should recognize that PRSPs benefit only from technocratic, not political, commitment; and (iii) a lot of reforms aimed at making government more result-oriented have faced serious slippages, for reasons related to the institutional set-up and political dynamics within partner countries. He concluded that the institutional and political context, and the extent and depth of other reform processes, are the keys to PRSP achievements.

Regarding aid modalities, the speaker noted that: (i) further efforts are needed to align project aid with PRS objectives and government systems; (ii) the suitability of “common basket” funding depends on the institutional capacity of finance ministry and sector ministries, or the balance between them; and (iii) the application of general budget support (GBS) based on ex-post selectivity is preferable where possible but requires some minimum preconditions, such as a budget process reform that is making real progress.

Finally, the speaker highlighted main challenges for donors, especially, the need to: (i) understand the history and political economy of each country; (ii) align, harmonize and improve aid quality seriously; and (iii) be more creative about influencing the key political variables in appropriate and effective ways. As the first step toward this effort, he stressed the importance of a more open and frank debate on political leadership and its role in development effectiveness.

[See Annex 2-2 for PPT]

## **Main Points Discussed**

### **Initial Comments from Panelists**

Comments and questions made by respective panelists are as follows:

#### **(1) Kazuo Kodama (Deputy Director General, Economic Cooperation Bureau, Ministry of Foreign Affairs)**

I would like to stress Japan's commitment to collective support to the PRSP approach. Japan was a leading donor until the late-1990s (in terms of both volume and quality) and should be proud of its initiative launching the TICAD process in 1993 when the rest of donors showed the aid-fatigue failing to increase their ODA to Africa. Nevertheless, we must candidly admit that Japan's exposure to Africa has been relatively smaller than US or European countries and that Japan's ODA policy to Africa (including PRSPs) has been rather responsive and reactive and tended to maintain independent and stand-alone approach in Africa. Since UK and Japan are two consistent players in ODA and yet their approaches to development have been different especially in Africa, it is meaningful for UK and Japan to have a two-way dialogue in order to learn from each other and find ways to contribute to the improvement of aid effectiveness. Therefore, I greatly appreciate today's GRIPS-ODI Joint Seminar.

As for ownership of PRSPs, a key question remains to what extent PRSPs are owned by recipient countries. There are a wide range of stakeholders within recipient countries, such as the Ministry of Finance, sector ministries (not only minister, but also technocrats), the Parliament, and civil society etc. There is no disagreement on the importance of PRSPs. Yet, we tend to take lightly the issue of how to ensure its implementation. Even in Tanzania, the PRSP process is not yet wholly owned by all stakeholders.

I agree with the keynote speaker on the importance of country-specific approach to PRSPs. Indeed, such approach is already embodied in the "trinity" documents of Japanese ODA—ODA Charter, Medium-Term ODA Policy, and Country Assistant Plans.

We should also recognize that external intervention including PRSP approach has a certain limit in effectively addressing the reform issues in recipient countries. Acknowledging the failures and successes of SAL approach, we should not overestimate the role of external partners in helping translate PRSPs into actual policies. In the end, it is up to the government and people of developing countries to make PRSPs relevant or irrelevant to their development challenges.

I fully agree on the importance of strengthening PFM (public financial management) of recipient countries. But important questions remain: (i) how to operate PFM system; and (ii) to what extent donors can influence budgetary reform in recipient countries. Budget allocation is a quite political process, and this issue should be further examined.

Democracy is another important aspect that merits further examination in the discussion of development. Are more democratic countries in Africa likely to achieve poverty reduction and growth? If answer to this question is positive, we should promote democratization process in Sub-Saharan African countries. At the same time, it should be born in mind that the PRSP process is not easy in terms of the costs of democracy. Democratic change of the government entails changes in PRSPs and/or national policy. For example, Japan was obliged to revise Country Assistance Plan for Sri Lanka following the change of the government in April 2004.

Alignment is about taking systematized mechanisms for policy dialogue and aid delivery. Japan believes that project aid can continue to play an important role in development. What is critical is to ensure the alignment of project aid with PRSPs. By so doing we could ensure project aid will not damage in any way the incentives of domestic policy processes. The keynote speaker may have overstated the negative aspects of project aid. Especially, infrastructure development can be effectively supported by project aid, and it is possible to ensure alignment and systemic approach. In Zanzibar (Tanzania), we have made it conditional that the Zanzibar government should legislate the introduction of drinking water user charge system in order to ensure the sustainability of the water project itself if it expects Japan to implement its ODA project for water through our policy dialogue.

The PRSP architecture requires process management. This is not yet happening in Bangladesh. Some donors who do not yet trust the government give aid money directly to NGOs, not to the central government. The PRSP process must be shared with the public, including the Parliament, opposition parties, and NGOs etc. In doing so, the stability and durability of PRSPs would be enhanced.

My last comment is on how to handle politics. All countries are equal partners, and there is not so much that donors can do (as external actors). Political reforms should be self-initiated, and their success rests on the shoulder of African countries.

**(2) Takehiko Nakao (Director, Coordination Division, International Bureau, Ministry of Finance)**

I agree on the most points made by the keynote speaker, including the importance of institutional context, governance, ownership, and politics in PRSPs.

As for aid modality, there should be a good combination of various modalities and burden sharing between grant and loan aid. In Asia, Japan has emphasized infrastructure development by project aid (loan), which has proven effective and laid the basis for sustainable growth. Here, Japan's ODA loans have supported foreign currency costs of infrastructure projects. On the other hand, aid to Africa is primarily grants, directed to the social sectors and financing recurrent costs as well.

Based on the Japanese experience with Asian development, I am proud to say that aid to Asia was productive and conducive to promoting economic growth. This is because aid has been: (i) matched by the efforts of recipient governments; and (ii) given in a coherent manner, linked to trade, investment, OOF etc. It is this "coherence" that is lacking in Africa. Although aid itself may have become coherent, the coherence between aid and development policy needs to be strengthened. On the other hand, recent thinking that aid to Africa should be primarily grants, is related to high priority attached to the social sectors and recurrent-cost financing.

"Ownership" is not an idea embraced only by the Europeans. For long, Japan has stressed the importance of ownership, phrasing it as "self-help effort." Japan has also taken account of ownership seriously, through "request-based" aid approach. In Asian countries (e.g., Indonesia, China), Japan has made multi-year commitment and aligned its aid to priorities of their development strategies.

Nevertheless, we should recognize that the above virtuous mechanisms have worked because these countries have been "hard" states. Since many African countries are "soft" states, we need to align our aid to the African context. In this regards, support to the social sectors through grants and the use of general budget support (GBS) may be justified.

Yet, GBS faces challenges. How can African countries graduate from aid by relying on GBS? How can these countries truly strengthen ownership, given the fact that GBS is associated with intensive donor intervention into the national budget process?

### **(3) Seiji Kojima (Vice-President, JICA)**

Now that PRSPs have spread in many low-income countries, it is a good chance to revisit their experiences so far, including the importance of incorporating growth elements. In fact, several PRSP countries such as Ethiopia are making endeavor to address economic growth in their PRSPs.

Regarding aid modality, I argue that even in the “soft” state, it is possible to support PRSPs and sector-wide approach through a good combination of various modalities, including GBS and project aid. The keynote speaker stated that project-type aid is likely to affect adversely the policy-making process of recipient countries; but at the same time, he hinted the challenge for donors to address political aspects. The two statements seem to be inconsistent, and I would appreciate clarification. Moreover, I would like to stress the importance of implementation capacity of line ministries in particular. Even if good policies and optimal resource allocation are agreed under Medium-Term Expenditure Framework (MTEF) and Public Expenditure Review (PER) etc, line ministries often cannot implement them due to their capacity constraints. Can not project aid play a useful role in addressing sector- and field-level activities?

I agree on the importance of politics. Actually, Japan has had a lot of dialogues with partner countries around several principles held under the Japanese ODA Charter (commitment to democracy and the level of military expenditures, etc.). Nevertheless, I am a little bit concerned about the point made by the ODI speaker on the need for donors to pay greater attention to the political structure of recipient countries. This may contradict with recipient ownership. Donor interventions on politics may have adverse effect.

I would also like to raise questions regarding the appropriateness of PRSPs as a planning tool. First, PRSPs—together with Public Expenditure Review (PER) and Medium-Term Expenditure Framework (MTEF)—heavily emphasize planning by the central government. I am concerned that this might cause crowding-out of the private sector. This leads to the second question. If PRSPs tend to pay less attention to the local government, how can we effectively address the issues of decentralization? Third, PRSPs are a country-based approach. So, how can we address trans-border issues which are important in Africa (such as infrastructure)? Fourth, if PRSPs are applied selectively based on result-orientation, what can we do for fragile states?

**(4) Shozo Kitta (Executive Director, JBIC Institute)**

I would like to discuss the PRSP approach in light of New Public Management (NPM). In Tanzania, the road sector is divided into the entity charged with policy-making and the one charged with implementation. I understand that this is because the PRSP approach incorporates NPM which was born in advanced countries. Nevertheless, the implementation of NPM requires high skills, and I wonder to what extent such approach is feasible in low-income countries. My impression about Tanzania's road sector is that the already scarce skilled staff has been further scattered into policy and implementation sides. The division of planning and implementing functions, which have worked in some advanced countries, might not work in African countries. Thus, PFM based on NPM could work only in matured countries such as UK and New Zealand. It might be too early to be introduced in Sub-Saharan African countries.

Regarding the relationship between ownership and budget reform, we may wish to distinguish two types of low-income, PRSP countries. For those countries that have reached the Completion Point (CP) under the Enhanced HIPC Initiative, we should encourage their ownership and give greater autonomy in the PRSP process. On the other hand, for the countries that are yet to reach CP, donors should put pressures on budget reform, including budget planning and implementation.

Under a country-specific approach, it might not make sense to apply budget support automatically to all low-income countries.

I fully agree with the other panelists on the importance of infrastructure. I recognize that DFID pays greater attention to infrastructure development, as published in *Making the Connections: Infrastructure for Poverty Reduction* (DFID 2002) and that more recently, the report by the Commission for Africa proposes increasing aid to infrastructure. In this regard, I would like to stress the important role of the private sector in infrastructure development, especially Public-Private Partnership (PPP). In view of the fact that about 70% of labours belongs to the rural agriculture sector in almost every Sub-Saharan African country, it is necessary to support rural agricultural infrastructure as well as cross-border transport infrastructure, since they are essential to increasing the agricultural productivity and broadening the markets, respectively, of such African countries. In this context, the donor community should make more concrete efforts to promote PPP approach in those two types of infrastructure.

**(5) Motoki Takahashi (Professor, Kobe University)**

I am very pleased with today's constructive discussions on PRSPs. My long-term frustration with Japan's response to PRSPs and development has been eased. In the past, I witnessed many occasions where a lot of Japanese aid practitioners expressed their suspicion about the PRSP approach. There were various reasons. The Japanese tended to view that PRSPs were not substantially different from SAL and the conditionality approach which was viewed as leading to mixed results at best. PRSPs were also often regarded as mere propaganda from Washington rather than sincere efforts to improve the effectiveness of aid. The Japanese are also uncomfortable with the heavy emphasis on the so-called 'poverty reduction' in a narrow sense. They feel that poverty cannot be sustainably reduced without economic and industrial development. Some of the Japanese have been questioning the relationship between development and democratization because Japan has a history of achieving economic growth, under the "authoritarian" governments during the Meiji and Taisho-eras.

The axis of "hard" and "soft" states, presented by the keynote speaker, provides a very important perspective for assessing the institutional capacity of developing countries, especially in Africa. In this regard, I would like to suggest that the axis of "democratization" be added because this differs from the axis of "hard" vs. "soft" states (see Annex 2-2, slide 3). As Francis Fukuyama pointed out, developing countries cannot "own" the development process, unless they have achieved two stages of reform: (i) strengthening institutions (or institutional modernization); and (ii) democratization.

Taxation is crucial to lay the foundation for the process of "aid exit". The society and communities themselves should bear the burden of reducing poverty, by contributing to tax revenues.

**(6) Response by David Booth**

Appropriate combination of aid instruments depends on the country- and sector-specific context. This is because the institutional context differs significantly by country and by sector. The Tanzanian case is different from Asia and may even be different from the typical African context. Tanzania has a strong Ministry of Finance; but many sector ministries are weak, particularly in the agriculture sector. In this case, budgetary support is more preferable than common basket funding through sector ministries.

The contextual differences between Africa and Asia suggest that simple application of Asian experiences may not work in Africa.

I share the views expressed by several panelists that discussing ownership is difficult and may even be contradictory in the highly aid-dependent context.

I agree with Prof. Takahashi that democratization should be indicated by a different axis in my PPT. Recipient countries should put state reforms in place before democracy.

## **Panel & Open Discussions**

Ohno summarized the key message of David Booth and the main points discussed by the five panelists, by referring to “Chart: Institutions supporting PRS” (see Annex 2-3) and then invited comments from both the panelists and participants. The discussions focused on the following three dimensions: (i) ownership and institutions in partner countries; (ii) aid strategy and approach, including aid modalities; and (iii) political aspects of domestic reforms and PRSPs. Annex 2-3 illustrates the three dimensions and their inter-relationship.

### **(1) Ownership and Institutions**

#### ***Ownership under PRSP approach:***

Several participants discussed the dilemma between ownership and GBS, as noted by Mr. Nakao. A participant questioned a risk that some donors interfere with the ownership of Sub-Saharan African countries at the backdoor of PRSPs, by checking their budget and pushing them in a direction desirable from donor perspective. He stressed the importance of making the backdoor open and debating the issues on donorship and ownership. Prof. Takahashi responded that we need to recognize the fact that HIPC are like *de facto* bankrupt corporations and that the governments of donor countries are accountable for taxpayers by ensuring that the result of debt relief be productive. Thus, donors have no choice but getting involved profoundly in the reconstruction process of HIPC.

A participant explained that at present, there are two types of donor approach to deal with ownership: (i) MCA (Millennium Challenge Account) approach; and (ii) PRSP approach, supported by budget support. He went on to recommend that donors take a MCA (Millennium Challenge Account) approach, which is demand-driven and avoids donor direct intervention in the policy process of recipient countries. Also, the MCA approach heavily relies on effects of selection. On this point, Prof. Takahashi and Dr. Booth stated that it is yet to be seen to what extent the MCA approach supports the ownership of recipient countries. The MCA approach is highly selective and looks single-minded.

Another participant stated that ownership is wrong metaphor. We should rather look at ownership in light of interaction between the government and donors, as well as the government commitment to poverty reduction.

***Capacity development:***

There is broad consensus among the participants that capacity development is critical for effective PRSP implementation. In particular, Mr. Kojima and several participants stressed the importance of strengthening capacities of line ministries, going beyond the level of finance ministry. A participant explained an example of Tanzania, where line ministries are not fully involved in the PRSP process and some ministries still have incentives to receive aid money outside the budget system and independently of the PRSP process. Recognizing that capacity development is a very complicated task, Dr. Booth expressed his concern about the lack of capacity to get the information regarding what is going on at the grass-root level.

Several participants discussed the monitoring framework of PRSPs, based on their experiences in Zambia and Tanzania. They highlighted the importance and challenges of involving policymakers in monitoring activities, as well as capacity constraints of recipient institutions. It is necessary for donors to support PRSP monitoring, by indicating priority areas, giving data and resources required. A participant also noted that the Tanzanian government is taking the broader, cross-cutting approach in the second-generation of PRSPs, instead of the priority sector approach adopted in the first one. This is making PRSPs more complicated and difficult to ensure linkages between cluster strategies and budget process.

***Appropriateness of PRSPs as a planning tool:***

Regarding Mr. Kitta's question on the applicability of NPM in PRSP countries, Dr. Booth explained that at least in Uganda, PFM reform has brought improvements in the budget process.

**(2) Aid Strategy and Approach**

***Growth aspect of PRSPs:***

Many participants noted that greater attention should be paid to growth promotion measures in PRSPs, including infrastructure development.

Mr. Court stated that there has been increased awareness of the importance of growth promotion in PRSPs and that the report of the Commission for Africa does emphasize growth and aid to infrastructure. While supporting the importance of infrastructure, Dr. Booth recalled that in Sub-Saharan Africa the past investments in infrastructure did not contribute to development. This implies that not only investment in hardware infrastructure, but also its

utilization and the public sector conditions matter.

On the basis of the experiences of several East Asian countries, Mr. Kodama raised an issue whether government's direct intervention measures may be justified to make PRSPs more balanced, to address both social sector and industrial development. Dr. Booth responded that since each country has specific national context, this issue should be examined on a case by case. On this point, Mr. Nakao expressed his reservation to the government's direct intervention in investment because this worked only in the special environment (i.e., South Korea and Japan), where the countries were in the process of economic recovery. Direct interventions cannot be applied to today's open, FDI-led environment.

***Aid modalities:***

Active debates took place on the justification for project aid and a right mix of aid modalities. Prof. Takahashi noted that the problem of project aid in Africa is its proliferation. Donors have created too many projects and run Project Monitoring Units (PMU) in parallel, which are out of the policy implementation process of sector ministries. At the same time, he clarified that it is the donor-driven nature of project aid, not development project itself. The former should be criticized because such projects undermine recipient ownership. He stressed the importance of sector program, recognizing that GBS through the Ministry of Finance may not give a sufficient sense of what is going on in the field (sector). Dr. Booth agreed that project itself is not a cause of the problems in Africa, but stated that it may aggravate the situation, because 'project aid weakens the incentive to make policy' especially in a weak institutional environment ("soft" state).

Several participants noted that infrastructure development is implemented in the form of projects regardless of funding sources (aid or the government's own budget) and that the role of project aid should not be dismissed.

Stressing the importance of the capacity of both Ministry of Finance and sector ministries, Mr. Kojima stated that project aid can complement capacity development of sector ministries in particular. Mr. Nakao stated that we should recognize that stand-alone projects did not perform well in many cases. In East Asia, projects were not stand-alone, and infrastructure projects have been linked to the broader development context.

A participant noted that budget support may also have limits since there is no assurance that the funds directly transferred to the government would reach the grass-root level. Under this situation, the project approach has a potential to reach clients more effectively, and it is important to consider the right combination of project and budget support.

In this connection, Dr. Booth asked whether Japan has a good portfolio of project evaluations which look into the institutional impacts of projects. He reiterated the need to consider the potential side-effects of projects, particularly in “soft” states.

***Japan’s engagement in policy and institutional aspects:***

A participant expressed that today, he was favorably impressed with the commitment shown by the Japanese aid authorities to PRSPs, which was “unimaginable” a few years ago. He went on to ask to what extent Japanese aid officials are ready to express a general message regarding management of the development process by recipient countries, as well as desirable aid relationship in this process.

Mr. Kodama stated that Japan is increasingly making efforts to address governance issues in discussion with recipient governments. For example, in Bangladesh, Japan is engaged in the sector governance issues, together with other development partners. In Tanzania, when President Mkapa requested Japanese assistance to a NEPAD road project, we stressed that the project must be well prioritized in PRSPs. Prof. Takahashi reiterated his view that we should be more profoundly involved in the development process since many sub-Saharan African countries collapsed financially and experienced with deteriorating service delivery in the 1990s.

***Linkage between MDGs and PRSPs:***

A participant asked the linkage between MDGs and PRSPs and its institutional implications. Dr. Booth responded that he has negative views on MDG linkage, because the international community is imposing additional requirements on over-stretched PRSP monitoring systems, by introducing MDG-related tasks.

***SAL and conditionality:***

A participant cautioned simple criticism of SAL conditionality. Policy reforms are critical, and conditionality worked at least in several countries. Mr. Nakao supported this view.

**(3) Politics**

***“Hard” state and democratization:***

Mr. Kitta stated that South Korea and Thailand had established core governing systems well before they became truly democratic states (South Korea in 1988, Thailand in 1992). The donor community should appreciate tremendous efforts being made by Sub-Saharan African countries including CP countries in particular, and be patient about gradual development of their political systems. Dr. Booth indicated that democratization should be differentiated from modernization of the state (or “hard” state) and that the latter should receive priority.

***Role of aid in addressing the political aspects:***

A participant pointed out that if good elements of project and budget support can be wisely combined, this should facilitate the outreach of public services and make the greater number of citizens to enjoy political benefits. Such approach should help mitigate the political economy aspects of the problems associated with PRSPs and GBS.

Dr. Booth suggested that the international community consider seriously how to support the process of engaging internal actors in debates about state reform publicly (not behind the scenes). Donors should be able to offer better services to internal actors promoting state reforms. He argued the need for open political debates about these essential development issues.

## **Reflections and the Way Forward**

### **(1) By ODI Speakers**

The quality of discussions was excellent and benefited from the participation of high-level panelists from a Japanese ODA ‘dream team.’ Key issues raised at the seminar, which are of particularly relevance to ODI activities, can be summarized as follows. There has been much agreement about many of the key issues, especially the importance of politics.

- Lessons from Japan’s ODA experience;
- Whether projects were inherently second best as an aid modality;
- PRSPs not equaling country ownership;
- Budgets were political not just technical;
- The importance of politics;
- The extent DFID is interested in infrastructure and economic growth or more about social issues;
- The importance of coherence between aid, trade and investment as part of a coherent economic strategy;
- Aid dependency in Africa; and
- Excessive state may crowd out the private sector.

One main area for possible joint research is on ‘developmental states’. Much current thinking shows that governance to now be the key issue for development, but there seem to be few solutions available concerning the best role donors can play. There could be much benefit in bringing together thinking on Asia and Africa from Japan and the UK respectively. Other interesting issues include: aid to Africa, agriculture, infrastructure, budget support, aid architecture, human security, aid modalities, FDI and development models. A cross-cutting theme was the need to provide a fresh angle on Asia-Africa comparative studies.

[This section is based on *ODI Japan Visit Report*, June 2005 “The G8, UK Aid Policies for African Development and Implications for Japan” (p.10, p.19) written by Julius Court, Simon Maxwell, David Booth and Karin Christiansen.]

### **(2) By GRIPS Development Forum**

The seminar confirmed the importance of taking country- and context-specific approach to PRSPs and support to institution building in partner countries. There has been also broad consensus that institution building and capacity development are multi-dimensional, encompassing not only the finance ministry, but also sector ministries and local agencies.

Recognizing that institution building involves a political aspect, realism and long-term engagement are needed for donors to truly support this process in partner countries. Donors should recognize that PRSPs are only an entry point to support such long-term undertaking.

The points below indicate a set of important questions that have emerged from the seminar discussions. These issues merit further examination in future research.

- Respecting ownership does not mean avoiding policy dialogue between donors and partner governments. An important question is what is the desirable nature and mechanism of policy dialogue so that capacity development and fostering ownership go hand in hand.
- There is a need to deepen the analysis of complementarities of aid modalities, including how a particular modality affects the incentive structure and political factors of partner countries. It is also necessary for Japan to undertake a comprehensive evaluation of project aid, in view of the current aid agenda.
- Domestic politics matters to the institutional response to PRSPs and aid approaches. There is a need to understand more profoundly the process of institution building, particularly interactions among aid programming (or donor “interventions”), domestic institutional response, and political factors.
- There is a need to better understand the causes of sound political leadership and the “hard” state. How has the “hard” state emerged in East Asia?
- Functioning public administration is a critical element of the “hard” state. At the same time, this concept should not be mixed with democratization. Is there any natural sequence of political reforms? Do there exist minimum thresholds of governance that kick-off economic growth (and if so, what are elements of the thresholds)? It is important to explore these questions.

## **ANNEXES**

## **GRIPS-ODI Joint Seminar**

### **The Impact of PRSPs: Achievements, Challenges and the Role of Aid**

#### **Background and Objective of the Seminar**

The main objective of the GRIPS-ODI seminar is to deepen the understanding of the impact of PRSPs (Poverty Reduction Strategy Papers) on the institution building efforts of developing countries, discuss their achievements and challenges, and draw implications for how donors can effectively assist developing countries in strengthening their national institutions and processes for policy planning and implementation. The seminar will also discuss whether the new initiatives around PRSPs, such as the idea of aid alignment, have had a positive effect on budget process and other institutional arrangements in developing countries.

Since the introduction of PRSPs in 1999, many low-income developing countries have strengthened their efforts to mainstream anti-poverty efforts in the national policy processes. These include the efforts to build the core government functions, such as policy planning, public financial management, public administration and service delivery, and others. Donors have also shown their willingness to support such efforts by reassessing the aid relationship and launching new initiatives around PRSPs. However, the experiences with PRSPs vary by country, affected by such factors as the levels of national ownership and institutional capacity, domestic political process, and so on.

With a number of countries beginning to be engaged in the second generation of PRSPs, it is vitally important to review the experiences with the first-generation of PRSPs and clarify the issues to be addressed by governments, donors and researchers etc. Donors are also required to incorporate the lessons learned into their practices to enhance the quality of aid and improve aid effectiveness.

Given the importance of this topic and taking advantage of the visit by prominent ODI researchers to Tokyo, GRIPS Development Forum would like to invite Dr. David Booth, Coordinator of the Poverty and Public Policy Group (PPGP), who has extensive knowledge and experiences in PRSPs, new aid agenda, politics and aid, to make a presentation on the impact of PRSPs and exchange views with the interested audience in Japan, ranging from policymakers, aid practitioners, and researchers.<sup>1</sup>

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<sup>1</sup> Over the recent years, GRIPS Development Forum has been engaged in a series of studies related to PRSPs, aid partnership, and aid modalities and strengthened collaboration with ODI. This seminar follows the GRIPS-ODI seminar on “Good Donorship and Aid Modality”, held in Tokyo in March 2005. These activities can also be part of the larger UK-Japan Link on research collaboration, initiated by ODI. ([http://www.odi.org.uk/RAPID/UK\\_Japan/index.html](http://www.odi.org.uk/RAPID/UK_Japan/index.html) )

## Contents of the Seminar

The seminar will consist of: (i) the keynote speech by David Booth, ODI, to share the understanding of the impact and experiences with PRSPs to date, including their achievements and challenges, and suggest implications for the role of aid; (ii) comments and discussions by panelists, including representatives of the Ministry of Foreign Affairs (MOFA), the Ministry of Finance (MOF), the Japan International Cooperation Agency (JICA), the Japan Bank for International Cooperation (JBIC), and academia, to highlight selected issues on the role of aid and research agenda; and (iii) questions and answers by all the participants. The seminar will be moderated by GRIPS Development Forum.

The targeted audience will be policymakers, aid professionals, researchers and CSOs interested in the issues of PRSPs, aid partnership and new aid agenda. The seminar will be kept relatively small in size (approximately 30-40) participants to promote active and in-depth discussions among those familiar with the topic.

## Suggested Issues for Panel Discussions

Based on the keynote speech by David Booth and referential documents, key elements of panel and open discussions could include the following:

- What were PRSPs supposed to achieve, and what have they actually achieved? What are difficulties encountered?
- Whether and how has the introduction of PRSPs influenced the institutions of developing countries (such as the policy-budget link, capacity for financial management, implementation and monitoring)?
- Whether and how the new initiatives around PRSPs, including the idea of aid alignment, have had a positive effect on budget processes and other institutional arrangements in the recipient countries?
- What are key obstacles, if any, that hinder institution building in support of PRSPs? What is necessary to address such challenges? Whether and how can donors play role in this regard?
- What are the experiences of PRSPs in countries with different institutional setting (e.g., those with existing planning systems like some Asian countries)? What are the implications for the role of donors in such countries?

## References

- David Booth ed., *Fighting Poverty in Africa—Are PRSPs making a difference?* (ODI, 2003), Chapter 1: Introduction and Overview by David Booth.

- Ruth Driscoll and Alison Evans, "Second-Generation Poverty Reduction Strategies: New Opportunities and Emerging Issues" in *Development Policy Review*, Vol 23, No.1, Jan 2005.
- Referential documents from UK-Japan Link  
[http://www.odi.org.uk/RAPID/UK\\_Japan/index.html](http://www.odi.org.uk/RAPID/UK_Japan/index.html)
  - Synthesis Paper 1 – UK Research on PRSPs
  - Synthesis Paper 2 – DFID's approach to Poverty Reduction Strategies (PRSs)
  - Synthesis Paper 3 – The Drivers of Change (DoC) Approach

Profile of ODI researchers:

- David Booth is the Coordinator of the Poverty and Public Policy Group, ODI. A sociologist, he was formerly Professor of Development Studies at the University of Wales, Swansea. His current research projects are on state responsiveness to poverty and politics of PRSPs, with fieldwork in Uganda, Ghana and Bolivia. Other work is concerned with PRS monitoring, Poverty and Social Impact Analysis and assessing the evaluability of general budget support as a modality of poverty-focused aid.
- Julius Court is a Research Fellow in the Research and Policy in Development (RAPID) Programme. He is currently involved in research, advisory work and training on issues of bridging research and policy; civil society and policy influence; and governance and development. He also leads the UK-Japan Research Initiative.

Slide 1

**Japan-UK Links on International Development**

GRIPS  
June 2005  
Contact: *Julius Court (jcourt@odi.org.uk)*



Slide 2

2005

*The “Year of Destiny” and UK’s role*

- Millen
- Comm
- G8 Gl
- UK Pr
- MDG
- WTO



Slide 3



Slide 4

**ODI “2005” JICA Project**

- 1) Provide insights to Japan on
  - i. What is the (UK’s) 2005 Africa agenda
  - ii. How are major European actors responding
  - iii. What are the key issues
    - a. Key Decisions for 2005
    - b. Longer term issues
- 2) Deeper conversation between Japan and UK development communities.



*The “Year of Destiny” and UK’s pivotal role*

- Millennium Project
- Commission for Africa Report
- G8 Gleneagles, July – Priority Africa
- UK Presidency of EU
- MDG Summit, NYC, September
- WTO Ministerial, Hong Kong, November

Slide 5

## Project Activity

- o Tokyo Meetings
- o Draft Synthesis Report (issues, trends, implications)
- o London Workshop
  - o Japan's Aid Opps & Chllgs – Izumi Ohno
  - o Japan's Aid to Africa – Motoki Takahashi
- o Background Papers
  - o Background of UK aid to Africa – Tony Killick
  - o CFA process & current Policy – David Sunderland
  - o Position of France – Vincent Géronomi
  - o Current positions of Germany – Sven Grimm
  - o Current positions of the EU – Sven Grimm
  - o Latest on the IFF – Andrew Rogerson

odi

[NB: No detailed USA analysis]

Slide 6



Slide 7



Slide 8

## 2008

*Japan's "Africa Year of Destiny"?*

- Japan is G8 Chair
- TICAD IV

An opportunity for ....

- o strategic planning.
- o working together.

odi

Slide 1

**The impact of PRSPs**  
*Achievements, challenges and the role of aid*

Presentation to GRIPS-ODI Joint Seminar,  
Tokyo 9 June 2005

David Booth  
Overseas Development Institute



1

Slide 2

**Overview**

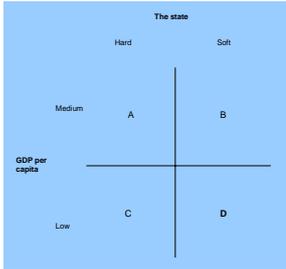
1. The importance of context
2. Why the concern about “country ownership” and aid alignment?
3. The impact PRSPs, 1: the policy process
4. The impact of PRSPs, 2: the missing links
5. How can aid help?
6. Main challenges for donors
7. How to handle the politics
8. Summing up

2

Slide 3

**The importance of context**

- Country context is crucial; not all countries are the same – this is obvious but easily forgotten
- Most of this presentation refers to type D countries



3

Slide 4

**Why “country ownership”?**

- Sometimes presented as a (European) donor fashion; actually a good case of research influencing policy:
  - In a soft state, project aid weakens the incentive to make policy, and distorts resource allocation
  - “buying reform” with loan conditionalities does not work for complex reforms
  - in these and other ways, there are strict limits on donors’ ability to influence change for the better
  - what matters is domestic politics/society (and the effect of aid on that)
- PRSPs: not a new planning technology but an effort to respond to these findings

4

Slide 5

**The impact of PRSPs, 1: the policy process**

- Worthwhile but quite modest policy-process gains in some countries (not others, e.g. Latin America) – for example:
  - stimulation of sector policy processes
  - opening up of Public Expenditure Reviews
- But in nearly all, the buy-in is technocratic; fundamental political dynamics have not been affected
  - it is not possible to “engineer” political commitment
  - the intention was good but the theory of politics was/is naive

5

Slide 6

**The impact of PRSPs, 2: the missing links**

- Studies agree that a key factor is whether *other* reform processes are strengthening government orientation to results
  - the budget/MTEF process (Tz, Ug, Ghana, Malawi)
  - sector policy processes
  - civil service and local government performance incentives
- Some “second generation” PRSPs are better placed in these respect, but:
  - nearly everywhere, there is serious reform slippage
  - this is determined the institutional set-up and political dynamics, not by donors

6

Slide 7

**How aid can help**

- Aligning project aid with the PRS objectives and government systems?
  - yes, but projects will still interact with internal incentives in damaging ways
- “Common baskets”?
  - depends on context
  - if the sector ministries are weaker than the finance ministry, GBS combined with sector policy work will be preferable (e.g. Tz agriculture)

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Slide 8

- GBS, based more on ex-post selectivity and less on ex-ante conditionality?
  - certainly much better in theory
  - but it requires some minimal preconditions – e.g. a budget process that is more than “theatre” (Ghana, Malawi)
- Where these conditions do exist (Uganda, Tanzania), evaluations suggest:
  - the political basis is decisive ... for better or worse
  - there is still a tendency for the positive changes to be superficial, because political systems (and underlying social relationships) are not changing fast enough
- Conclusion: the institutional context is the key, for aid modality choices as well as PRSP achievements

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Slide 8

**How to handle the politics**

- This is not easy, but is the big challenge in 2005
  - the essential complement to raising levels of funding
- It should not mean more political-governance conditionality (e.g. Uganda)
  - studies suggest it does not work
  - it is bad for predictability, and hence damages other institutional progress
- More political/governance selectivity?
  - probably, but we need something better and more coordinated than the Millennium Challenge Account
- The first step must be a more open and frank debate about political leadership and its role in development effectiveness

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Slide 9

**Main challenges for donors**

- Getting to know the country context – history and political economy
  - Tanzania versus Nicaragua, Korea versus Vietnam versus Cambodia, etc.
- Taking alignment, harmonisation and aid quality very seriously
  - while recognising some real constraints on the recipient side
- Being more creative about influencing in appropriate and effective ways the key political variables

9

Slide 10

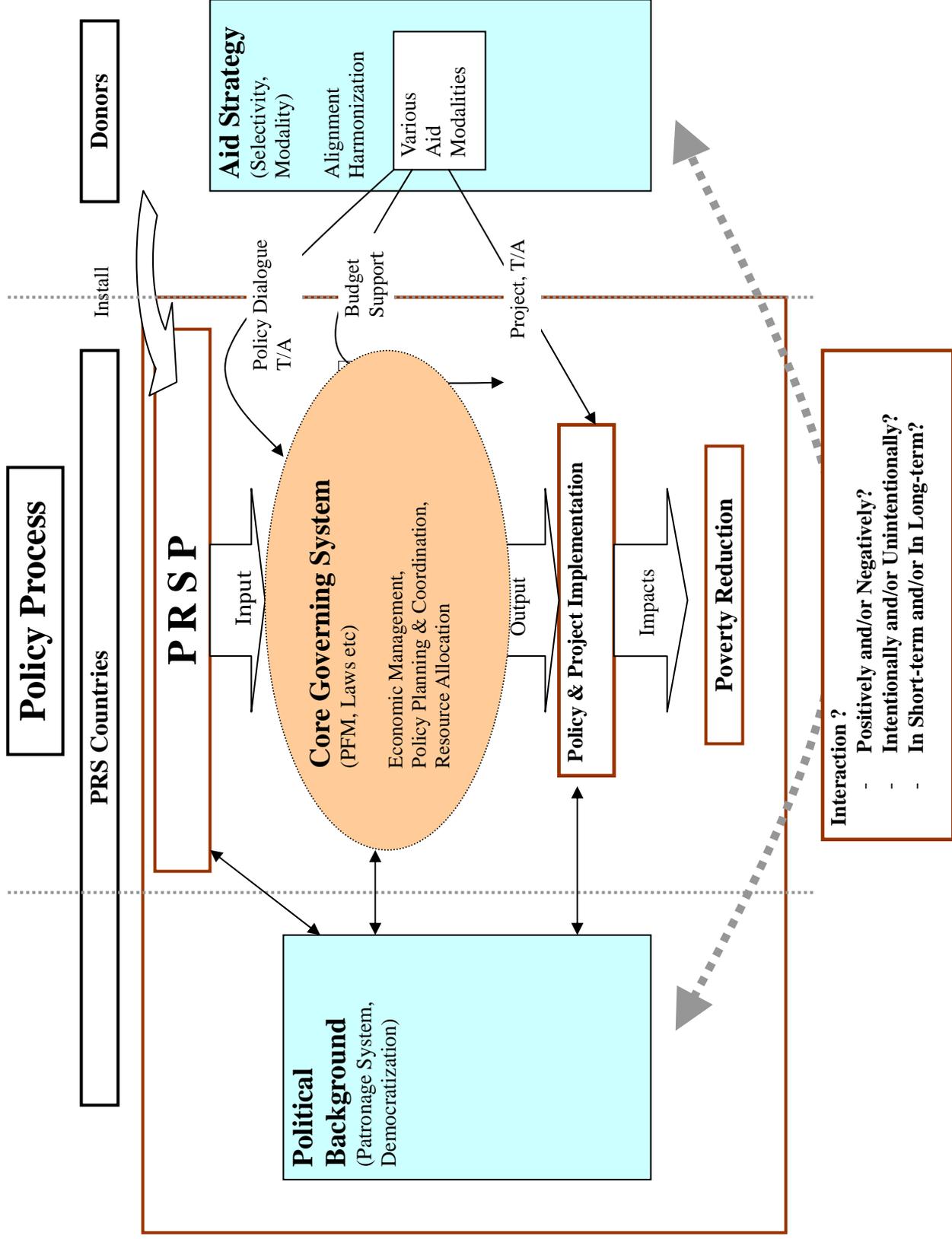
**Summing up**

- There are sound reasons for wanting country ownership of development policies
  - in soft states, this is not automatic and aid can make matters worse
- PRSPs haven’t (yet?) given us this
- But they, and the debate on aid modalities, may have helped to focus attention on what really matters – domestic politics
- We need a robust and open debate on this, starting in 2005, especially in Africa

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# Institution of PRSP

Annex 3



### **Academic Discussion Session led by Prof. Shigeru Ishikawa: PRSPs and Politics**

This note summarizes the main points discussed at the academic session on June 9, 2005, that took place prior to the GRIPS-ODI joint seminar.

**Date and place:** June 9, 2005, 11:30-13:30 (@GRIPS Development Forum)

**Participants:**

(1) ODI

- David Booth (Research Fellow & Coordinator, PPPG/ODI)
- Julius Court (Research Fellow, ODI)

(2) Japanese researchers

- Shigeru Ishikawa (Emeritus professor, Hitotsubashi University): Main discussant
- Toru Yanagihara (Professor, Takushoku University)
- Izumi Ohno (Professor, GRIPS Development Forum)
- Yuichi Sasaoka (Professor, GRIPS Development Forum)
- Shoko Yamada (Associate Professor, GRIPS Development Forum)
- Eiji Hirao (Researcher, GRIPS Development Forum)

### ***Introduction***

**Booth:**

- As a think-tank, ODI is independent of DFID. It does not necessarily have a corporate view.
- DFID's 1997 White Paper crystallized changes in development thinking over the past years and marked a turning point. Especially, Mick Foster made an important contribution to this drive. Foster was Chief Economist of the African Dept. at both ODA and DFID during the late 1990s. Together with the World Bank, he worked within the SPA (Strategic Partnership with Africa) forum to advance the idea of flexible funding and the Sector-wide Approach (SWAp). Later, he assumed the position of Director of the Center for Aid and Public Expenditure (CAPE) of ODI.
- The relationship between Tony Blair's *The Third Way* and the DFID policy under the new Labor government (as represented in the 1997 White Paper) is not so clear-cut as Prof. Ishikawa suggested (in the GRIPS Discussion Paper No.9). It is more complicated. Poverty reduction and "social justice" were considered important under the Conservative Party as well, reflecting international trends at the time. So there has been some continuity in the UK government's commitment to "social justice." From 1997, under the Labor government, poverty reduction became elevated to the supreme goal of aid and development. This was a significant change, but, today this notion is widely shared across the party line.

Ishikawa:

- I deeply appreciate the quality and significance of the research conducted by the ODI. Especially, the ODI research is monumental in the sense that it has shed light on the political aspects (i.e., patrimonialism) of aid and development in Africa.
- With reference to a book *Fighting Poverty in Africa—Are PRSPs making a difference?* (edited by Booth 2004), I agree on many of the basic issues addressed by Dr. Booth in Chapter 1 (introduction and overview). This study deserves special attention because it incorporates politics into the analytical framework for examining the PRSP approach.
- Nevertheless, I have slight different views from Dr. Booth on how to make PRSPs more useful to the development process of low-income countries. Probably, this is largely attributed to our different academic background (Ishikawa as economist, and Booth as political scientist). I believe that PRSPs can make substantial contributions to the development process of low-income countries, but would like to insist that greater attention be paid to economic mechanisms.

### ***Patrimonialism***

Ishikawa:

- There are differences in patrimonialism between Africa and Asia. In Africa, patrimonialism appears systematically in the original form. This is so even for countries with relatively advanced political regime, which has a multi-party system and presidential elections (according to the classification by Bratton and van de Walle (1997)). By contrast, in Asia (except for Indonesia and the Philippines), the original form of patrimonialism disappeared in the process of economic development and only its remnants appear.
- For example, in China, patrimonialism was largely eliminated under the Communists' PRC Revolution. But, its legacy remains, as often observed in the state-owned enterprises (SOE)—what is called “line ministry’s ownership.” Rapid growth led to the emergence of the middle-class in China, who are now claiming constitutional reforms.
- In Africa, the appearance of patrimonialism may be associated with the recent introduction of a multi-party system. In Tanzania, in the Nyerere era, corruption had not been pervasive. Corruption became serious after the IMF program was put in place and income disparity worsened.

Booth:

- In discussing the politics of PRSPs in the African context, we should distinguish neo-patrimonialism from original patrimonialism. It is not the original type of patrimonialism that has revived in Africa but a “hybrid” form in which patrimonial and modern bureaucratic elements are mingled together. Nevertheless, I agree with Prof. Ishikawa that in Asia, the abolition of patrimonialism preceded rapid industrial growth. Therefore, it is important to ask what kind of political structure must be eliminated to trigger economic growth in different stages of development.
- In Africa, neo-patrimonialism was not necessarily the result of the introduction of a multi-party system. It goes back to the first years of the post-colonial period, and in

some respects to the colonial regime. Tanzania was an exception for having been relatively corruption-free in the first decades of Independence. But, the situation was different in Ghana, for example.

- The US tends to insist that democratization is the key political change. But, many observers in both Japan and UK share the view that democratization itself is a long-term goal. It is the modernization of state that matters more in the early stages of development.

### *Are PRSPs making a difference?*

Booth:

- PRSPs is an experiment, so we cannot deny potential risks. But, it is also true that we cannot think of any better alternative ways.
- We do not know enough how to initiate rapid growth. East Asian experiences suggest that the path to development is zigzag, with some political reforms leading to economic growth, which in turn facilitates the next phase of political reforms and economic growth. Agricultural development was critically important in the initial stages. East Asian experiences show clearly that democratization came after industrialization. It is possible to achieve rapid economic growth under an undemocratic regime.

Ishikawa:

- Certainly, PRSPs are useful and can potentially provide a solution to patrimonialism. But, the current PRSP approach is not enough. Greater consideration is needed to economic mechanisms of the development process. Donors should allocate more resources to the measures for promoting growth in such countries as Uganda and Tanzania.
- Conceptual questions remain on whether and how the PRSP approach can resolve a fundamental dilemma—i.e., the dilemma between respecting ownership and addressing capacity constraints of recipient countries. Although the importance of recipient ownership is widely recognized, a question remains whether ownership should be granted unconditionally or not—particularly when a country has serious capacity constraints in policy design and implementation. At the same time, we should duly recognize that aid cannot buy policy reform, although it can support.

Yamada:

- PRSPs are just one of the tools for policy dialogue. It depends entirely on each country whether PRSPs will have policy impacts and induce reforms. For example, in Tanzania, only a few officials of the Ministry of Education know the MDG and Education for All (EFA) initiatives.

Sasaoka:

- I agree on the importance of country-specific approach. Uganda offers a unique case among PRS countries in Africa. The content of PRSP was based on electoral promises of the ruling party, and the President and political elites succeeded in convincing the World Bank and IMF to use the existing PEAP (Poverty Eradication

Action Plan) in place of PRSP. It is yet to be seen whether the Ugandan case is applicable to other countries.

### *Aid modalities*

Booth:

- A projectized aid approach can affect the incentive structure of partner countries, and even impact negatively on their political factors. The project approach tends to divert attention and resources away from the key task of making and implementing policies, and thus weakens aid effectiveness. It is also not a guarantee against corruption.
- PRSPs, combined with budget support, can serve as a channel for policy discussion. At the same time, the quality of political leadership (President) and capacity of key technocrats (e.g., finance and planning ministry) are crucial to internalize policy discussions into the domestic policy process.

Ishikawa:

- I think that the main problem lies in the patrimonialism, not in the project approach itself. This is clear when aid effectiveness between Asia and Africa is compared.
- Many countries in Sub-Saharan Africa are highly aid dependent. For example, in Tanzania, aid is used to maintain patrimonialism. This is more serious problem than projectized aid. To overcome patrimonialism, we need to strengthen growth orientation into Tanzania's development.

### *Growth promotion as a solution to patrimonialism?*

Ishikawa

- To get growth started in Tanzania, it is important to pay attention to material aspects. Japan has experiences in small-scale irrigation, we need to start looking at agriculture and explore a possibility of industrialization, in light of agro-industrial linkages. Macroeconomic management is also important.
- Growth will lead to the emergence of the middle-class, who will demand for governance improvement and broader political reforms.

Yanagihara:

- Regarding political regime transition, there must be minimum governance factors that today's low-income countries should develop. In particular, the capacity for managing infrastructure and investment is important. Without such capacity, infrastructure will not be properly developed and countries will end up with receiving only short-term investment.

Booth:

- The importance of growth promotion to reduce poverty is widely shared. Although the past decade may have emphasized the social sector and human capital aspects, DFID used to stress economic growth. IMF has consistently stressed growth.
- I agree with Prof. Ishikawa that Tanzania's development needs to be

agriculture-based, with a market-based approach and export-orientation. Nevertheless, many African countries face such difficulties as the limited size of the domestic market and institutional constraints on effective exporting. The institutional constraints call for better policies, not just hardware investments.

- I also agree with Prof. Yanagihara. In the case of Malawi, infrastructure is one of the biggest constraints for growth. But, the government has yet to make sound policies for infrastructure development due to their capacity constraints.