

Renovating Japan's Aid in Africa*

From Passivity to Action under the Tight Budget

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As poverty reduction attracts global interest, Japan's ODA budget is being cut. It is imperative that effectiveness of our aid be improved. While the priority region for Japanese ODA is undoubtedly East Asia, we must also maintain a certain level of visibility in assistance to Africa, which is the center of concern for the global aid community. Not only that, by introducing a new growth strategy, we should become a responsible donor and exercise leadership in a few selected African countries without a budget increase. This will require an immediate reform of Japanese aid to Africa through selection and prioritization, strengthened growth support, and speed and flexibility. Without reform, our aid will be evaluated much less than what we actually contribute, and domestic criticism against such ineffective aid will mount. If our client countries are confined to high performers in East Asia, Japanese aid will face the risk of future decline and international isolation. Renovation of our aid to Africa is the key to regaining confidence and pride in our entire ODA policy.

Surely, African development is a tough issue. International organizations, Western donors as well as Japan itself have suffered cumulative failures. We must remain humble in the face of the enormity of the task. But we believe that Japan as a non-Western donor can make a valuable contribution to Africa, provided that we make good preparation with adequate resources and institutions. It is now recognized internationally that HIPC, PRSP and aid coordination, which mainly aim at administrative and financial improvements, lack insight into the sources of growth. Many low-income countries (including those in Africa) are not entirely satisfied with the current

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PRSP and yearning for a new approach that gives them more hope. We do not have to offer a perfect answer at the outset, nor should we be too afraid of making mistakes. What is required today is not the continuation of ad hoc responses but the construction of a consistent strategy which is long-term, comprehensive, and real sector-oriented. In this process, we should stop reacting passively to PRSP and aid coordination, and instead start to actively utilize them for achieving our ultimate aid goal.

Part One: Strategic Significance of Aid to Africa

(1) Contribution to poverty reduction.

As an aid giver, it is not too important whether we are really enthusiastic about MDGs. Nor should we worry excessively whether growth is the goal and poverty reduction is the means, or vice versa. What is critical is that we achieve our development goals by taking full advantage of the current international ideas. As the world is excited about poverty reduction, use the momentum to market our merchandise (growth strategy with an emphasis on production promotion), receive international recognition, and mobilize the resources of others for our purpose. Advertise it as the “contribution to poverty reduction from the East Asian perspective.” At the same time, go beyond repeating the mantra of “East Asian experience” and begin serious studies on its applicability in the concrete context of other regions, especially Africa. A large number of African leaders and scholars are looking forward to such studies. In the past, some proponents of the East Asian approach were not sufficiently mindful of the uniqueness of each aid recipient.

(2) The comprehensive aid package for the production sector

The importance of growth is widely recognized, but the expected contents of growth policy are quite different between Japan which emphasizes concrete ingredients (including strategies for individual industries) on the one hand, and the West which prefers general frameworks on the other. We should become a lead donor in assistance to the production sector where Japanese comparative advantage lies. In doing so, we should recall that past industrial promotion focused on modern manufacturing failed miserably in Africa. Our knowledge of Africa’s comparative advantage and resource endowment, as well as the need for sustainable and broad-based poverty reduction, tells us that the priority should be in the agriculture sector, broadly defined. Additionally, careful evaluation and necessary support of very weak administrative and fiscal capacities in Africa are also called for. We propose a long-term comprehensive program for promoting production and employment, featuring a concrete project for rural infrastructure as the core (for example, small-scale irrigation, rural roads, water, etc.) and supported by a comprehensive package of various supporting programs (including equipment, technology transfer, policy and institutional reform, training, distribution, marketing, etc.). The unit of implementation can be one district in a country or a wider region across countries. Other important purposes of such a package are the improvement of local capacity through policy dialogue and design as well as the mobilization of human and financial resources of other donors

through aid coordination schemes. At first, this approach should be implemented in a very small number of countries, and it is hoped that its success will have a demonstration effect on other countries. In fact, this mode of assistance should be adopted not only in Africa but also in all developing regions including East Asia.

(3) Selectivity for growth support

For assisting the production sector, we must have the appropriate criteria for choosing candidate countries and sectors. The usual selectivity criteria cover macroeconomic stability, transparency, efficiency, democratic procedure, market orientation, etc. Our selectivity, which is different from this, should be used for selection of candidates as well as domestic and international dissemination. Our selectivity criteria should include, for example, (i) social and political stability; (ii) Strong will and solid understanding for implementing the package by the leaders in the political and administrative systems (including the supreme leader); (iii) a government organization capable of consistent policy design; (iv) administration capable of consistent and prioritized implementation of policies without heavy corruption; and (v) sufficient local knowledge, experience and implementing institutions on the Japanese side. Note that these are relatively narrow criteria which do not include economic liberalization or SOE privatization. However, macroeconomic stability is absolutely necessary for any assistance.

(4) Accountability to the Japanese people

Why do we continue to help Africa when the domestic economy is in recession? We should respond to this question by mixing the below in suitable proportions for each type of audience: (i) national interest in the narrow sense, namely, securing trade opportunity and natural resources; (ii) global contribution through poverty reduction and removing the causes of instability of the international community; and (iii) honor and leadership as a major donor. Domestic accountability for African aid should be fulfilled by generating good results through selection, prioritization and efficiency in all aid channels (including aid coordination), not by adding quantity to offset the low quality as before. We believe that better performance with less money through innovation is a persuasive argument for any domestic stakeholders except those categorically opposed to ODA in Africa.

Part Two: Required Action

(1) Selection, prioritization and rearrangement of existing resources

Some say that Japanese ODA in Africa is already concentrated in a small number of countries. We argue that even more concentration is needed, including in the areas of sector assistance and policy support. We certainly recognize that the cutback of bilateral aid adversely affects our diplomatic relations with that country, but our fiscal crisis no longer permits automatic extension of the past. We strongly recommend building new pillars of our aid to Africa, by the

new selection of countries and sectors with the criteria mentioned above, and rearranging and concentrating the existing resources accordingly.

Regarding aid coordination, it is often lamented that Japan does not have enough human resources to cope with this process and, because of that, we run the risk of losing visibility. However, we reject the idea that Japan lacks adequate human resources because it is defeatism based on misjudgment. We do have good people, and our problem is that we do not fully use them. The greatest cause of this sad state of affairs is the careless expansion of our aid activity without strategic focus. To correct this, bold selection and prioritization are needed to assign high-quality professionals to high-quality jobs, including policy advice. Instead of employing aid staff from the narrow channels as we do today, people with broader backgrounds—those with professional knowledge who are also aware of the current aid reform and coordination as well as situations in Africa and other developing regions—should be recruited. To reiterate, Japan is rich in human resources. What is missing is the strategy and mechanism to allocate and utilize them effectively.

(2) Speed and flexibility

As the other donors have promoted delegation of authority to country offices, aid coordination and common frameworks, the pace of aid activity in the field has quickened. Japan's aid policy formulation which is isolated, fiscal year-bound and Tokyo-based is no longer able to cope with the daily policy discussion in the recipient countries. There is no need for Japan to convert completely to the Western-style aid modality, nor should we abandon our best mix approach¹ totally. However, we can no longer maintain our voice in the policy making process of many developing countries unless we participate in aid coordination with other donors. The Japanese aid institutions must be modified to ensure speed and flexibility beyond certain critical limits. Our organizations in the field, especially aid implementing agencies, should be given more authority. At the same time, they should be held responsible for good performance under clearly specified performance criteria. Measures for speed and flexibility which do not require any revision of laws or budget increase should be implemented immediately. Regarding all these issues, Tokyo should give clear instructions to the country offices. The capacity of these offices should also be strengthened for effective engagement in daily policy discussion.

(3) Proposed changes in our aid system (specific items)

For an effective engagement and leadership in aid coordination, the devolution of authority to country offices and other institutional adjustments are necessary so that our country offices can perform the following:

¹ The “best mix” is the term frequently used in the Japanese aid community to refer to the use of multiple aid modalities, including TA, grants and loans, that fit the need of individual programs and countries. Under the best mix approach, complementary relationship between projects and a program is emphasized. While Japan recognizes the desirability of aid harmonization in many cases, it rejects its monotonous application. The best mix approach is considered superior to the convergence of modality to single thinking or fund pooling.

- (i) General budget support
- (ii) Participation in the common basket fund
- (iii) Signing the memorandum of understanding
- (iv) Urgent and flexible responses to local needs (seminars, workshops, recruitment of local consultants, use of joint reports, etc.)
- (v) Harmonization of aid modality (joint mission and reports, joint procurement, untying, etc.)
- (vi) Aid predictability
- (vii) Better coordination among different modalities, especially between financial aid and TA (including the possibility of merging the JBIC and JICA office)

(4) International networking and dissemination

The outline of the new growth strategy should be proposed at TICADIII. The intention of the new policy should be announced even before the details are decided. If a sufficient number of countries or organizations show interest, we can work out the details with them. For this, close cooperation with NEPAD is indispensable.

Even outside Japan, there are many people who feel the need for concrete growth strategy. We encounter such people not only in East Asia but also in other developing regions (including Africa), international organizations and like-minded donor countries. It will be beneficial to establish intellectual networks with them. As we argued earlier, we should not confine our effort to bilateral channels only. Mobilization of local, Western, and other developing countries' knowledge (South-South cooperation) are important for reinforcing resources as well as taking the lead in designing strategies and setting agenda. For this purpose, development of supporting theories, effective PR, and training of skilled aid staff are all necessary.

(5) The possibility of reactivating yen loans

We have the constraint that the HIPC countries are ineligible for new ODA yen loans. In a sense, this rule is reasonable for countries that do not repay debt as promised. At the same time, however, it prevents us from initiating the new growth strategy under the All Japan effort². We propose the reactivation of yen loans to the HIPC countries under the condition that improvements are in place, such as a stronger linkage with policy support, critical re-assessment of individual project size, and enhancing cost recovery. The reactivation of yen loans should be considered seriously when a stable government that satisfies the selectivity criteria mentioned above emerges, for example, after a political change, significant policy re-orientation or

² *All Japan* refers to the situation where different Japanese aid staff and organizations act in concert, rather than separately. Since the design and implementation of Japanese ODA are not unified, internal coordination often becomes a critical issue. Narrowly, *All Japan* typically includes the embassy, JICA (grants and TA), and JBIC (yen loans). More broadly, it may also include Tokyo headquarters, aid-related ministries, NGOs, JETRO, private firms, business associations, experts, researchers, consultants, and so on.

remarkable improvement in political and administrative mechanisms. In addition, the HIPC countries that have reached the completion point may be given positive consideration. Under the current rule, Japan cannot provide new yen loans to individual HIPC countries but it can offer them to a group of countries or through international or regional organizations. More fundamentally, the termination of new ODA loans to countries reneging on debt obligation is dictated by our internal rule, which can certainly be revised if circumstances change.

Part Three: Candidate Countries for the New Growth Strategy and Other Programs

(1) The agricultural sector of Tanzania

Tanzania is the priority country in our African aid. Furthermore, Japan is the lead donor in Tanzanian agriculture thanks to the recent effort of our staff there. Tanzania also attracts much interest from other donors as the frontrunner of aid coordination. From the viewpoint of our knowledge, experience and institutional readiness, it is natural to regard Tanzanian agriculture as the prime candidate for the new growth strategy. However, our status of the lead donor is not entirely secure. Without constant inputs to local aid coordination which is rapid and competitive, we will soon lose this privilege. If that happens, we will lose the only and most developed base for enhancing our visibility in African growth support.

To avoid this risk and reinvigorate our support of Tanzanian agriculture, the following two actions are urgently called for.

- (i) Prompt implementation of the institutional changes proposed in Part Two-(3) above, enabling us to offer intellectual and financial contributions as the lead donor. Especially, Japan should take the initiative in creating a financial support mechanism for agriculture, such as the sector common pool or budget support. If Japan fails to participate in the financial support mechanism agreed by the Government of Tanzania and the key donors, we will be forced to abandon the status of lead donor gained through hard work and much funding.
- (ii) From the perspective of the Japanese and East Asian development, the content of the current agricultural sector development program (ASDP) is far from satisfactory. It is necessary to support its effective implementation at the local government and village community level. While further studies are needed for comparing with other regions, the Coast Region, which is very poor but with much growth potential, is worth considering as the target of our concentrated effort in poverty reduction through production promotion. In order to succeed, high-quality staff and sufficient funding must be prepared. Professionals who understand the past development of aid reform and coordination as well as the relevant administrative and financial mechanisms (including PRSP) are particularly desired. Under the Japanese leadership, local officials and researchers should be mobilized and resources of other donors should be utilized. Improving the quality of ASDP is of

central importance to the new growth strategy, without which we cannot proceed. Intensive and ample input of resources is needed for this.

(2) Adding a few more cases

Apart from Tanzanian agriculture, we may add a few more cases subject to our preparation. In view of political and social stability and our knowledge, experience and institutional readiness, the countries listed below can be possible candidates. However, this does not mean that they will surely be selected or those not on the list will be excluded. A group of countries can be a candidate as well. The final decision should be made after careful examination of each country in light of the selectivity criteria for growth support. Recently, GRIPS has asked Tomoko Enoki, the former JICA expert in Tanzania, to conduct a preliminary mapping of candidate countries and sectors in Tokyo.

Ethiopia, Ghana, Kenya, Malawi, Senegal, Uganda, Zambia

(in alphabetical order)

(3) Other countries and programs

Under the current circumstance in which Japan's ODA to Africa is not expected to increase, and more likely will decline, the introduction of the new growth strategy in a few countries will mean the reduction or stoppage of aid to other countries and programs. This is inevitable if we wish to sharpen the strategic focus under a tight budget constraint. Under aid partnership, it is not necessary for Japan to deal with all problems in Africa. We propose that, for each country, our aid should be classified into the following three types of sectors, and reconstruct the aid system accordingly.

- (i) Sectors in which effort is increased as a lead donor in growth support
- (ii) Sectors to which we contribute through participation in aid coordination
- (iii) Sectors in which we terminate our engagement

ODA with high urgency and unpredictability, such as conflict prevention, peace building and disaster relief will be considered separately from this.

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