

Renovating Aid in Africa: New opportunities and challenges for Japan's ODA

May 2007

GRIPS Development Forum

National Graduate Institute for Policy Studies (GRIPS)

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



1. Africa and Japan's ODA Policy

- Current ODA policy, based on two pillars (ODA Charter 2003)
 - Asia ("priority" region): ODA as a means to promote economic integration
 - The rest of the world: ODA to address global causes
- The 2003 ODA Charter newly introduced agenda, relevant to Africa
 - "Peace building" and "human security"
- But, Japan's vision for aid to Africa remains tenuous....; Why?



Africa and Japan's ODA Policy



<See handouts>

- Historically, “reactive” aid policy to Africa (esp. until the 1980s)
- In the 1990s, increased global commitment as top donor—initiating the TICAD process (1993, 98, 2003)
- In the 2000s, mounting difficulties under the ODA budget cut (-38% cumulatively from the 1997 peak)
- Despite many challenges, the Year 2008 gives new opportunities for Japan's aid to Africa.

Africa and Japan's ODA Policy



- 2008: The “*Year of Destiny*” of Japan's aid?
 - TICAD IV (Tokyo International Conference for African Development): spring
 - Hosting G8 Summit: July
 - New JICA: October
- *Excellent opportunities to demonstrate Japan's renewed commitment to aid and share its development visions*
- *under a new institutional framework*
 - *domestically and internationally*



2. Challenges

- Limited knowledge of Africa and its potential among the Japanese public (—for whom ODA budget is accountable)
 - Why Africa (among many competing priorities)?
 - What are prospects for success?, How can growth be generated and sustained?
- Relevance of Japan's aid model in the African context? (—although it appears to have worked in East Asia)
 - Japan's current aid model is built on its experiences in East Asia [Ishikawa 2005]



Challenges

- Main features of this model include:
 1. Request-based" approach and respect for country ownership (→weak involvement in policy conditionality)
 2. Dialogue and discussions building on trust over the long-term
 3. Projects as dominant aid modality (→where institutional and policy coherency is provided by recipient govt.)
 4. Active use of loans to support productive sectors, esp. through infrastructure development (→loans are repaid as the recipient economy has grown)

Challenges



- Until recently, ODA loans to Africa reduced (related to the Enhanced HIPC Initiative)
 - Remain concerned about debt sustainability
- Emergence of “new aid agenda,” urging Japan to change its aid behavior
 - Governance agenda, involving policy & institutional issues
 - New aid modalities, alignment & harmonization
 - Emphasis on social sectors (esp. early PRSPs), etc.
- Institutional fragmentation of Japan’s ODA (both policy and implementation), adding difficulty to coherent and country-focused approach

3. New Opportunities



- Commitment to increasing aid to Africa despite fiscal stringency
 - Doubling ODA to Africa over three years (2005-07): PM announcement at the G8 Gleneagles Summit in 2005
- Growing concern about the quality of aid within Japan, prompted by ODA budget cut
- Renewed interest in Africa, partly as reaction to China’s growing influence in the region

New Opportunities



- Institutional response to African agenda
 - MOFA: strengthening country assistance programming; formation of “All Japan” field-based team; decision to increase embassies in Africa
 - JICA: reorganization & field delegation, increased TA budget for Africa, peace building & human security
 - JBIC: strengthening the support to low-income countries, through minimal interest rate initiative (0.01%) and the co-financing with AfDB (2006), etc.
- Progress in ODA reforms, including institutional changes (esp. 2006-)

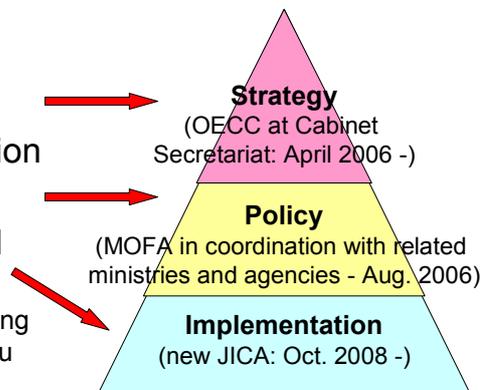
Cf. Latest ODA Reforms



- Unprecedented reform, in terms of the scope and structural changes in ODA policy formulation and implementation

<Three-tier structure>

- Strategizing ODA
- Better policy coordination (within MOFA)
- Effective & efficient aid delivery
 - Holistic approach; maximizing synergy of multiple aid menu



4. A Proposal for Renovating Japan's aid to Africa



- Create a success model(s), focusing on selected countries (“demonstration effects”)
 - “Aid for Graduation” – promoting productive sector and “real-sector” concern
 - Providing comprehensive support, ranging from policy advice to concrete activities on the ground
- Flexibly mix bilateral & multilateral resources, and work with development partners, including Asian partners
- Reassess which elements of Japan's aid model are relevant and which are not in Africa, and focus on its strengths

Issues for Discussions



- What do you think of comparative advantages of Japan, esp. in development and aid?
- What are the issues to be improved by Japan (policies, practices, etc.)?
- How about the role of Asian partners in Africa's development?
- Any suggestions for TICAD IV and G8 in 2008?

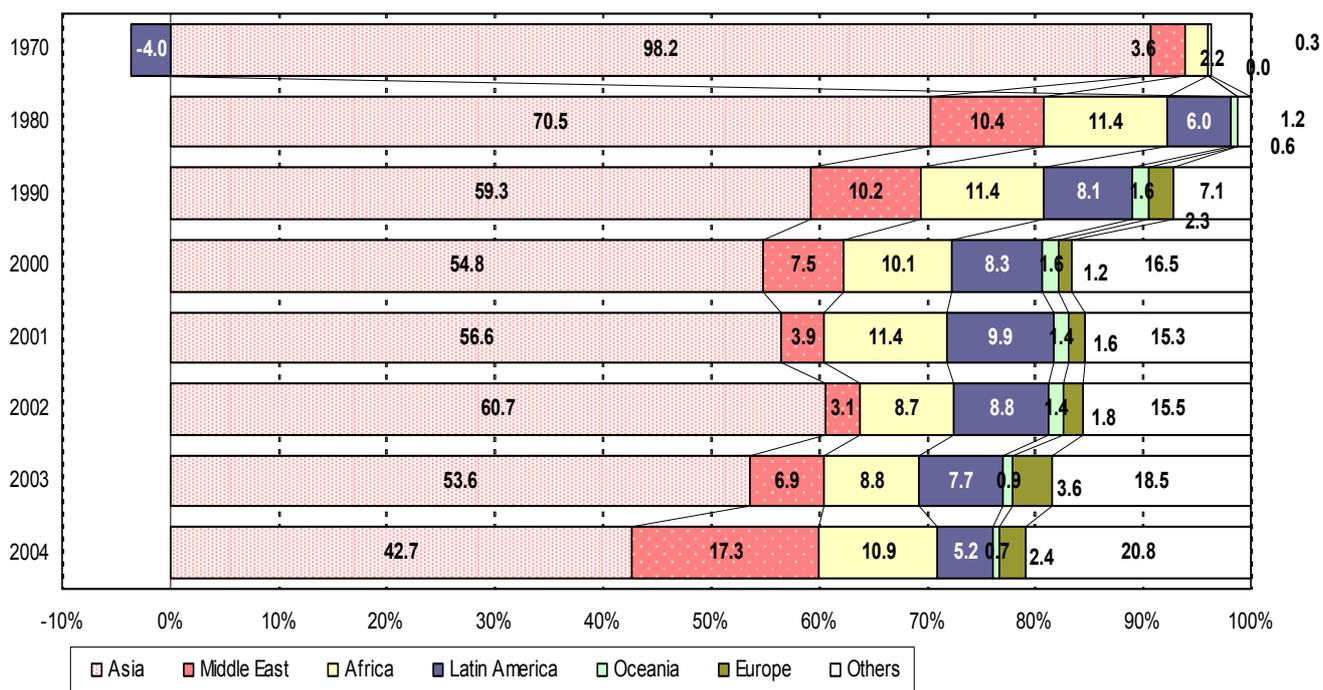
We appreciate your views... !!!

Evolution of Japan's Aid to Africa: Five Phases

Phases	Japan's Aid Policy	Aid Policy to Africa
1st Phase: 1954 (participation in the Colombo Plan) - 1972	<ul style="list-style-type: none"> • Pursuit of short-term economic interests • Establishment of "request-based" approach 	<ul style="list-style-type: none"> • Concentration of aid in Asia • Absence of aid policy to Africa
2nd Phase: 1973 (1st oil shock) -1980	<ul style="list-style-type: none"> • Expansion of aid linked to economic security 	<ul style="list-style-type: none"> • Growing interest in Africa to secure natural resources and increased aid to Africa • Aid policy to Africa linked to build support for Japan's role in UN
3rd Phase: 1981 (5-year Doubling Plan of ODA) - 1988	<ul style="list-style-type: none"> • Using aid as a means to recycle Japan's economic surplus and increase its global contribution 	<ul style="list-style-type: none"> • Increased aid to Africa and co-financing of SAL • Supporting hunger relief and food security
4th Phase: 1989 (top donor) - 2000	<ul style="list-style-type: none"> • Becoming top donor and using aid for broad policy initiatives as part of global contribution 	<ul style="list-style-type: none"> • Becoming a major donor in Africa • Engagement in political sphere, including the dispatch of SDF • Hosting TICAD I and II (1993, 1998) and exploring new aid initiative in Africa
5th Phase: 2001 (US replacing Japan as top donor) - Present	<ul style="list-style-type: none"> • ODA budget cut and policy changes 	<ul style="list-style-type: none"> • Debt forgiveness to HIPC's • Linking aid to peace building • Development partnerships • Supporting NEPAD/AU • TICAD III organized (2003), and TICAD IV planned for 2008

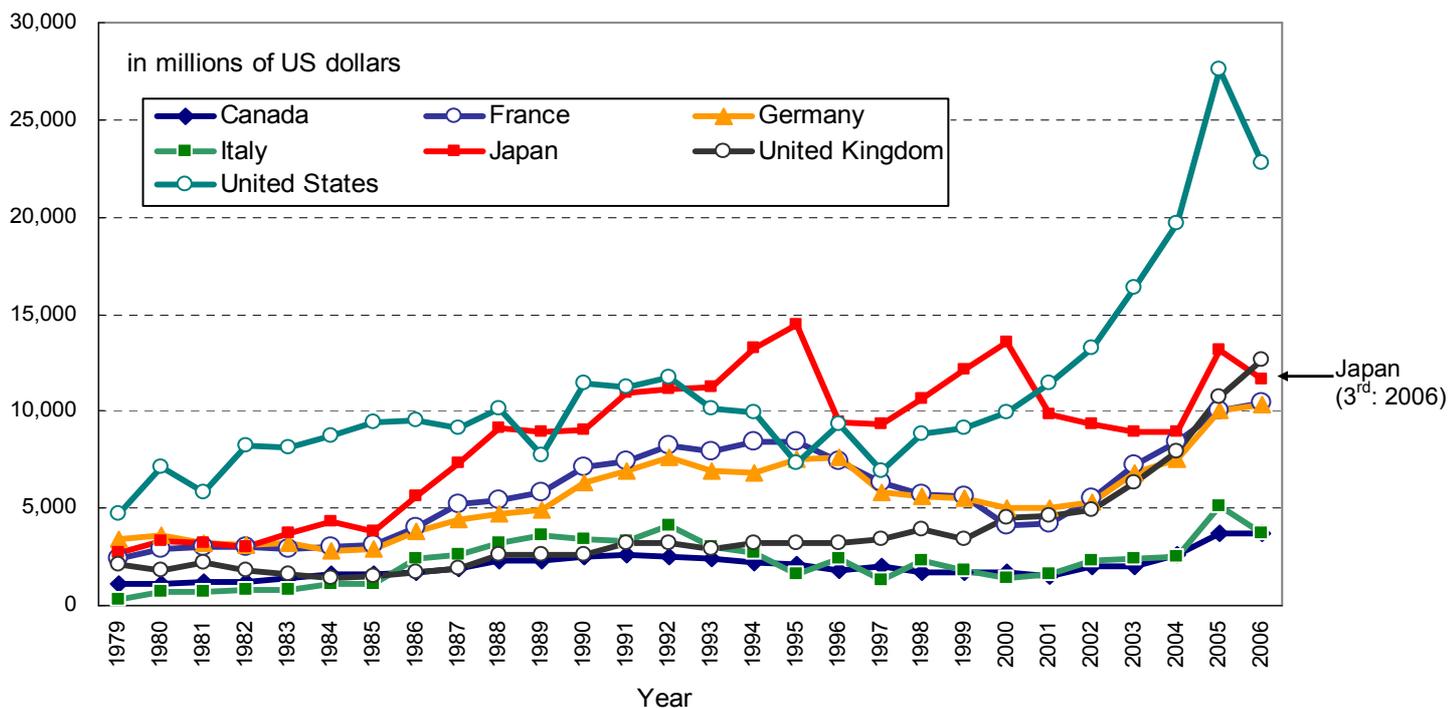
Source: Makoto Sato (2004) "Japan's Aid Diplomacy on Africa" in *The Study on the African Economy*, eds. Katsuhiko Kitagawa and Motoki Takahashi, Minerva Shobo, Table 11-1 (p.245)

Trends in Japan's Bilateral ODA by Region



Source: Ministry of Foreign Affairs, Japan's ODA White Paper (2005)

Trends of Net ODA from G7 Countries 1985-2006 (net disbursement base, US\$ million)



Source: OECD/DAC (Development Co-operation Report 2006, CRS online database)